EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,735 | Thursday January 5 1989 | D 8523A

COMMODITIES
Shining prospects for base metals
Page 14

World News

US, Britain back Moscow human rights conference

The US and Britain have agreed in principle to an international human rights conference in Moscow in 1991, on condition that the Soviet Union maintains recent progress on human rights. The decision removes one of the last obstacles to the opening of East-West conventional troop negotiations in Vienna. Page 16; CSCE accord near, Page 2

Truce in Beirut
Syria succeeded in enforcing a truce in Beirut, where eight people had died in four days' fighting between the Syrian-backed Amal and Iranian-backed Hizbollah (Party of God) Shia militias.

Nigerian austerity
Nigeria's military Government adopted a range of strict, and probably unpopular, austerity measures to go along with a stringent 1989 budget announced on Sunday.

Afghan peace talks
Soviet negotiator Yuli Vorontsov arrived in Pakistan for for what he described as "decisive talks" on the future of Afghanistan with the Afghan resistance. Page 3

Sikh appeal fails
A Sikh civil servant convicted of plotting the death of Prime Minister Indira Gandhi in 1984 lost a final appeal in the Indian Supreme Court. He and the surviving assassin are due to be hanged on Friday.

Zaire cuts flights
Zaire ordered Belgium's national airline Sabena to halve its four weekly flights to Kinshasa, in the latest move of a diplomatic row between the two countries.

Turkish minister out
Turkish Deputy Prime Minister Kaya Erdem resigned, for reasons apparently connected with a recent newspaper report linking him with an $60m banking fraud. Page 3

Benazir's pilgrimage
Pakistani Prime Minister Benazir Bhutto is to make the Moslem pilgrimage to Mecca on January 10-11, her first foreign trip since taking office last month.

Sri Lanka cabinet
Sri Lankan President Ranasinghe Premadasa retained the job of Prime Minister, which he occupied for 11 years before election as head of state, as well as 10 other portfolios, in a cabinet reshuffle. Another new government is due to be formed after general elections on February 15.

Lockerbie mourns
Politicians and airline employees joined mourners in the Scottish town of Lockerbie, for a service commemorating the 270 people killed when Pan Am flight 103 crashed there on December 21. Page 6

Trotsky's murder
A Soviet weekly newspaper asserted publicly for the first time that the murder of Leon Trotsky, number two figure in the 1917 Bolshevik revolution, was organised by the Soviet secret police.

Aids cases double
The number of cases of the disease Aids reported to the World Health Organisation almost doubled in 1988, bringing the total to 132,976 worldwide. The true figure is likely to be around 300,000 to 350,000.

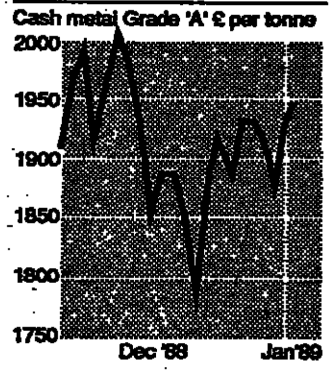
Business Summary

London gilts broker cuts international operations

SECURITY Pacific Hoare Govett, one of London market's three largest and most profitable stockbrokers in Government gilt-edged securities in pre-Big Bang era, announced it was making 200 people redundant and closing operations in gilts and other international securities. Page 7; Lex, Page 16; Background, Page 17

COPPER and zinc set new records on London Metal Exchange. Three-month Grade A copper closed at £1,766.50 a tonne, up £18 from Tuesday but slightly below new sterling

Copper
Cash metal Grade 'A' £ per tonne



peak reached in early trading. Cash deliveries closed at £1,948.50 a tonne. Three-month zinc surged to £1,620 a tonne before slipping at the close on profit-taking. Page 24

SPANISH Government is considering imposing withholding tax or strengthening existing taxation on one of its most popular debt instruments to stop widespread avoidance of interest and capital gains tax payable on them. Page 2

FORD Motor of US, world's second largest automotive concern, is seeking a substantial acquisition to complement automotive and financial services businesses, according to confidential report. Page 18

SECURITIES Association, self-regulatory body covering London Stock Exchange, has proposed rule changes which would tighten regulation of hitherto unreported off-exchange international transactions. Page 16

DSM, Dutch state-owned chemicals group which will go public on February 1 in biggest flotation in Netherlands' history, could raise between Fl 1.2bn and Fl 1.4bn ($600m-$700m) for Dutch Government. Page 17

INDIA'S Ministry of Civil Aviation has proposed Rs200bn ($13.3bn) investment over next 10 years to expand international and domestic airlines, currently suffering from lack of aircraft. Page 3

US Federal Reserve has passed rule which will allow US banks to offer foreign-currency deposit accounts to customers from beginning of next year. Page 4

TOYOTA, leading Japanese automotive group, is to export nearly 5,000 cars a year to Taiwan from its US assembly plants, heralding a new offensive on Taiwanese markets. Page 4

INCO, Canadian metals group and world's largest nickel producer, has begun C$494m (US$415m) programme to reduce sulphur-dioxide emissions from its Sudbury nickel-copper smelting operations in Ontario. Page 18

NICARAGUA devalued currency by 54 per cent and cut transport subsidies in bid to combat economic slump and inflation soaring ahead at estimated 21,742 per cent in 1988.

US fighters shoot down Libyan jets in clash over Mediterranean

By **Lionel Barber** in Washington and **Victor Mallet** in London

US NAVY fighters shot down two Libyan fighters over the Mediterranean yesterday in an incident which added to the rising tension between the two countries.

Mr Frank Carlucci, US Defence Secretary, said the Americans fired in self-defence. The confrontation, he said, was in no way connected with US allegations that Libya had built a chemical weapons plant claimed to be the largest in the Third World.

The incident is the most serious involving the two countries since the US bombed alleged terrorist installations in Tripoli in April 1986.

Libya called for an emergency meeting of the UN Security Council, but gave few details of how the incident had occurred.

It said the aircraft were on a reconnaissance mission and were the victims of premeditated American aggression.

The clash comes just before an international conference, attended by 100 nations, opens in Paris to review the proliferation of chemical weapons, and at a time of considerable public concern in the US about the possibility that a terrorist group was responsible for the downing of a Pan American jumbo jet over Scotland with 259 people aboard.

One US official said the US was concerned about a "headlong rush" by its Western allies and Japan into normalising commercial relations with Libya and its leader Col Muammer Gadaffi, who Washington suspects of reviving recently his sponsorship of international terrorism. "This (incident) will certainly grab the attention of the Europeans," he said.

Washington's concern centres on the involvement by at least a dozen Western European and Japanese companies in the design and construction of a chemical complex at Rabta, 40 miles south west of Tripoli.

The US insists that the factory has the capacity to make chemical weapons. It has made available sensitive intelligence to the UK, though not apparently to other allies, which it believes offers conclusive proof.

The US State Department said there was no link between the plant and the incident. "It may be ironic, but the two things are not related."

President Ronald Reagan, who last month suggested that the US had not ruled out bombing the Rabta complex, was informed of the jet fighter clash early yesterday at his Bel Air home in California where he is spending a new year holiday.

Hours later, Mr Carlucci called a news conference to offer the US account of the aerial clash, which he said

took place some 600 miles from the controversial chemical plant.

He said the Sixth Fleet Battle group led by the aircraft carrier John F. Kennedy was in international waters in the Mediterranean on a routine operation which posed no threat to Libya.

The US fleet monitored two Libyan aircraft – sophisticated Soviet-built MiG-23s, codenamed "Floggers" by Nato – as they took off from Al Bumbah military base in north eastern Libya.

The Libyan jets then approached US jet fighters on a training mission some 70 miles out to sea. The US fighters took five evasive actions, "but each time the Libyan aircraft sought to put their nose on our aircraft. They also accelerated. So the hostile intent seems to be fairly clear."

The lead US pilot subsequently gave orders to fire missiles at a range of 14 miles. The first Libyan MiG was downed at that distance, and a second fell some six miles away.

Pentagon officials said Libyan pilots had grown increasingly edgy in recent days as the US stepped up its campaign against the Rabta plant. "They have been coming further and further north and investigating our aircraft in international waters where we have always flown."

Before yesterday's incident, US officials had indicated that it was unlikely that Washington would act unilaterally against the plant, at least until after the Paris conference.

US officials are critical of the West German Government's foot-dragging over the alleged involvement of several West German companies in the design and construction of Rabta. Over the weekend US officials accused one company – Imhausen-Chemie, a pharmaceuticals concern – of direct involvement. Officials are also privately critical of the Japanese role. Japan Steel Works is also said to have assisted the Libyans.

Col Gadaffi accused the US of terrorism. "The revolutionaries of great Libya will not bow their heads and will not abandon their principles and objectives," he was quoted as saying by the official Libyan news agency. "They will meet challenge with challenge."

Libyans are bracing themselves for the possibility of a US attack on Libya itself. "If America has prevailed because it is a superpower in the air and the sea, it will inevitably be defeated on land," Col Gadaffi said.

Moderate Arab states allied to the US are likely to be acutely embarrassed by the incident, particularly at a time when they are supporting a diplomatic offensive by Mr Yassir Arafat, the leader of the Palestine Liberation Organisation.

Background, Page 3; Editorial comment, Page 14

Moscow warns against attack on 'chemical weapons' plant

By **Robert Mauthner** in London and Our Correspondents in Bonn and Rome

THE SOVIET Union yesterday warned the US against any attack on Libya aimed at destroying a plant alleged to be capable of manufacturing chemical weapons, but made no comment on yesterday's clash in the Mediterranean.

A Soviet Foreign Ministry spokesman said that any military action by the US against Libya would deal "a serious blow to the improvement in the international situation." But he did not specify how the Soviet Union would react in the event of a US attack.

The Soviet Communist Party daily Pravda, in an article published before the US-Libyan air clash, referred to the "anti-Libyan campaign" conducted by the US Administration and warned that it could have serious consequences for security in the Mediterranean. The paper claimed that the US campaign was aimed at diverting attention from the conventional arms reduction proposals made by Mr Mikhail Gorbachev, the Soviet leader.

Most European allies of the US were reluctant to comment until they had received more details, but Italian Foreign Ministry officials made no secret of their consternation. They privately expressed belief that Middle East tensions would be raised when a calm atmosphere was required to bring about an international peace conference to settle the Israeli-Arab conflict.

Mr Giulio Andreotti, the Italian Foreign Minister, has been urging US restraint amid indications that Washington was preparing to take action against the alleged chemical weapons plant near Tripoli. The Italians are not convinced by US "evidence" and stress that Libya must be held to its word by the strength of international agreements, not by military action.

The Bonn government is both embarrassed and irritated at being singled out by the US for taking insufficient action to stop West German companies allegedly supplying materials to help build the chemical weapons plant. The Government asserts that it is taking the US allegations seriously and is doing all it can to investigate them.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, yesterday launched a veiled counter-attack, implying that Libya could not possibly have imported materials for a chemical weapons plant if the US had earlier accepted German proposals for policing chemical weapons.

Markets rush to safe-haven dollar

By **Simon Holberton** in London and **Janet Bush** in New York

THE DOLLAR rose sharply in European currency trading yesterday after the US-Libyan clash. Dealers said there was a rush into the "safe-haven" dollar after the news of the conflict broke because it is the most liquid and easily convertible currency traded.

The US currency, which had already strengthened on renewed speculation of a tightening in US monetary policy, rose a half a pfennig to DM1.7815 on the rumour of the conflict and then to DM1.7850 when it was confirmed.

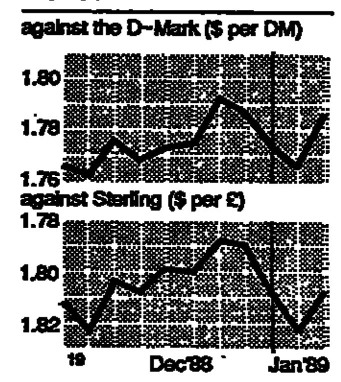
By the close of trading in London, the dollar stood more than two pfennigs higher at DM1.7875 compared with Tuesday's close and nearly 1¼ yen stronger at Y125.

In New York, economists said that the US currency was underpinned by speculation about US interest rates moving higher. At the New York mid-session, the dollar was at Y124.95, below an earlier high of Y125.15, and at DM1.7860 from DM1.7917 earlier.

The Fed Funds rate, the rate at which banks lend overnight funds to each other, has traded near to 9¼ per cent for several days compared with a range

Continued on Page 16

Dollar



Airbus in $3.5bn deal with Braniff and GPA

By **Michael Donne** in London, **Kieran Cooke** in Dublin and **Roderick Oram** in New York

AIRBUS INDUSTRIE, the European airliner manufacturing group, has won one of its biggest-ever deals with a firm order from Braniff of Dallas, Texas, one of the world's biggest airlines, for 50 A-320 twin-engined short-to-medium range jets and another 50 on option. The deal is worth about $3.5bn in all.

The complex deal involves Pan American Airways relinquishing firm orders for 16 A-320s and options on a further 34 aircraft. Of those 50, 26 are to be bought by GPA, the Irish-based leasing organisation, and passed to Braniff. The others will be acquired by Braniff directly from Airbus, with financing arranged by Braniff and the International Aero Engines (IAE) consortium in which Rolls-Royce has a 30 per cent stake.

Braniff will also take out options on another 50 A-320s. Such swaps of orders and options between airlines are not uncommon in aircraft procurement, but this deal, because of its size and complexity, is said to be "highly unusual."

Pan Am has run into severe financial difficulties in recent years and has evidently decided to take advantage of a cash injection, thought to total about $115m, from this deal.

Braniff is also buying 12 Dutch Fokker Type 100 twin-engined jet airliners which use Rolls-Royce Tay engines. The US airline last year bought and leased in total 12 Fokker 100s in a deal which gave GPA a 10 per cent stake in the airline. The latest purchase of Fokkers is also from GPA.

GPA said yesterday that these deals had made it the biggest single buyer of both the Airbus A-320 and the Fokker 100, which are seen as the two leading European jets on the world market.

GPA, an international financial services company, has a portfolio of 160 passenger and cargo aircraft with an estimated value of $3.3bn on lease to 61 airlines in 31 countries.

Airbus Industrie, which includes the UK, France, West Germany and Spain as its main shareholders, with associates in the Netherlands and Belgium, now has firm orders for 444 A-320s, with options and

Continued on Page 16

Air traffic growth, Page 4

Murdoch closer to Collins deal after French group withdraws

By **Fiona Thompson** in London

MR RUPERT Murdoch's News International last night moved closer to winning its £403m ($733.5m) hostile bid for William Collins, the UK book publisher, after Collins' potential white knight withdrew from the contest.

Groupe de la Cité, France's second largest book publisher, pulled out because not enough institutional shareholders were prepared to give irrevocable undertakings to accept its proposed offers, Collins said.

Collins' merchant bank adviser, Schroders, is to meet Charterhouse, adviser to News International, this morning. Ms Sonia Land, News International's director of planning who has led the News International side, hoped an amicable settlement would soon be reached.

Mr Ian Chapman, chairman of Collins, said he was very disappointed the French link had not come off.

It is thought the Collins board will place four conditions on News International in return for agreeing to recommend the offer: that Collins should be an autonomous unit within News; that the management of Collins should stay in London and Glasgow; that News International make a commitment to expand Collins' core businesses; and that Collins should spearhead News International's English-language publishing interests worldwide.

Ms Land said last night: "The basic gist of their conditions is nothing that is alien to us. We are going in to the meeting in a very conciliatory mood."

Groupe de la Cité, which formally announced it was the mystery bidder only yesterday, had made the irrevocable undertakings from Collins' institutional shareholders a condition of launching the bid. Its proposed terms were 880p for Collins' ordinary shares and 735p for the non-voting "A" shares. News International matched these terms last Friday, increasing its original offer of 640p and 535p.

Schroders said Groupe de la Cité had received acceptances from shareholders representing about 20 per cent of Collins.

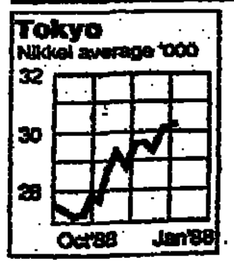
Groupe de la Cité had then approached News International yesterday morning and indicated it was prepared to improve its proposed offer to reach agreement with the Murdoch group, which has held a 41.7 per cent stake in Collins since its abortive 1981 bid. But News International declined. Groupe de la Cité then withdrew.

Mr Chapman said it would be hard for Collins to argue against recommending the News International offer.

Collins' announcement came after the market closed last night so its share price was unaffected: the ordinary shares closing 1p down at 885p, the "A" shares unchanged at 736p.

MARKETS

Tokyo
Nikkei average '000



INTEREST RATES
US lunchtime
Federal Funds 9⅜% (9⁵⁄₁₆)
3-mth Treasury Bills: yield: 8.69% (8.39)
Long Bond: 99.08 (99) yield: 9.06% (9.07)
London
3-month interbank: close 13⅛% (13³⁄₁₆)

STERLING
New York lunchtime
$1.8085 (1.8250)
London:
$1.8075 (1.8230)
DM3.2300 (3.2175)
FFr11.0250 (10.9850)
SFr2.7450 (2.7300)
Y226.0 (225.25)

DOLLAR
New York lunchtime
DM1.78825 (1.7660)
FFr6.0965 (6.0355)
SFr1.51825 (1.50025)
Y124.975 (123.875)
London:
DM1.7875 (1.7783)
FFr6.10 (6.0250)
SFr1.5190 (1.4975)
Y125.0 (123.60)

GOLD
New York latest
Comex Feb
$410.1 (413.1)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,182.88 (+18.04)
S&P Comp
277.40 (+2.09)
London:
FT-SE 100
1,793.0 (+10.2)
World:
140.22 (Tues)
Tokyo
Nikkei Ave
30,243.66 (+84.66)
Frankfurt
Commerzbank
1,701.4 (+18.3)

OIL
Brent 15-day (Argus)
$16.65 (+.20) (Jan)
West Tex Crude
$17.365 (+.04) (Feb)

CONTENTS

Bush appointment a triumph of competence over ideology

US President-elect George Bush has named Mrs Carla Hills as the next US Trade Representative and is banking on her grim determination in facing a series of challenges headed by the internal market planned for the EC in 1992
Page 4

Europe: The challenge ahead in EC regional funding 2
East-West talks: The long road to accord at Vienna 2
Chile: A critical year for democratic hopes 4
Technology: Massaging metal into shape with the latest forging techniques 12
Editorial: The Gadaffi problem: Opting out of Britain's National Health Service 14
Third World debt: Forgiveness with strings attached 15
China: Prejudice, violence and the African student 16

Europe	2	Agriculture	24	Financial Futures	32	Raw Materials	24
Companies	17,19	Arts-Reviews	13	Gold	24	Stock Markets	25-36
America	3	World Guide	13	International bonds	24	-Wall Street	33-36
Companies	17,18	Commercial Law	32	Intl. Capital Markets	24	-London	25-31
Overseas	4	Commodities	24	Letters	15	Technology	12
Companies	17,20	Crossword	28	Lex	16	Unit Trusts	28-29
World Trade	4	Currencies	32	Management	12	Weather	16
Britain	6,7	Editorial Comment	14	Money Markets	32	World Index	36
Companies	22,23	Euro-options	32	Observer	14		

EUROPEAN NEWS

Spain may impose withholding tax on Letras del Tesoro

By Peter Bruce in Madrid

THE SPANISH Government is considering whether to impose a withholding tax or to strengthen existing taxation on one of its most popular debt instruments, the Letras del Tesoro – a one year Treasury Bill – to stop widespread avoidance of the interest and capital gains tax already payable on them.

The effects of a withholding tax on the willingness of investors, particularly foreigners, to buy Letras are still being weighed by the Finance Ministry. The latter claims that Spanish banks are not insisting that the standard 20 per cent tax on the proceeds for non-residents be paid before redeeming them and sending the profits abroad.

Mr Jose Borrell, Secretary of State for Finance, said in an interview that foreign investors, mostly American, held Letras worth some Pta 1.5 trillion (£7.5bn) last year, nearly half the Pta 3.6 trillion of Letras in circulation by the end of the year.

Bankers and brokers complain that it is difficult to calculate the capital or interest gain on Letras because so many are bought on the secondary market. The notes can also be bought from one bank and settled by another.

Mr Borrell made it clear that the ministry had not yet decided what to do, if anything. But it is clear the Government is under some pressure to close the many tax loopholes still available to investors in the Spanish equities, gilts, property and industrial markets.

The need to collect more tax has also been sharpened by recent industrial unrest, which may force the Government to make expensive concessions to unions.

Letras del Tesoro, zero coupon Bills bought at a discount from par value, were first introduced in August 1987. By the end of 1987 Letras worth Pta 2.5 trillion were outstanding. They have become a favourite among foreign investors. Though they are subject to taxation, in practice the profits are not being taxed if the Bills are sold just before maturity. The current interest rate on Letras is just over 13 per cent.

The imposition of a withholding tax "would be pretty bad news," according to Mr Pedro Schwartz, chief economist with Iberagentes, Madrid-based stockbrokers and one of the biggest non-bank dealers in Letras. Because Spanish interest rates are now rising (the rate on Letras last spring was around 9.5 per cent) brokers are trying to shift investor interest from equities to Letras.

Letras are the only Spanish gilt not subject to a withholding tax and for foreign investors, tax is not charged to residents of countries with which Spain has a double taxation agreement – at present the European Community and Switzerland. An agreement is being negotiated with the US but, Mr Borrell said, "what interest would a country like the US have in an agreement with a country that cannot make its tax laws work?"

West gives guarded welcome to CSCE agreement

How Warsaw Pact implements new commitments will be acid test of accord, writes Judy Dempsey

THE DRAFT of the concluding agreement to the long-running East-West talks in Vienna, covering arms, human rights and economic co-operation, is being hailed by Western diplomats as a significant improvement on previous accords in the 35-nation Helsinki process.

But several Western delegates at the Vienna review meeting of the Conference on Security and Co-operation in Europe (CSCE) caution that the acid test will be the implementation of new commitments by the Warsaw Pact over the next few years. In addition, they say some of the text falls short of original demands put forward by certain Nato countries.

The draft text, which is expected to be agreed on January 17 by all 35 participating signatories of the 1975 Helsinki Final Act, is divided into three main areas or baskets.

Basket one deals with military issues and some aspects of human rights; basket two with economic co-operation; basket three with "humanitarian issues."

In basket one, agreement has already been reached in principle to start new "Conventional Stability Talks (CST)", involving the 16 Nato and seven Warsaw Pact states, which are designed to reduce conventional weapons from "the Atlantic to the Urals." Military talks on confidence and security building measures, involving all 35 CSCE states, will also start soon in Vienna.

But it is the "principles" section of basket one, which includes religious freedom, that has gone furthest when compared to previous review meetings. For example, individuals will have the right to religious instruction, to religious books, to be trained in religious institutions.

In addition, individuals will also have the right to "freedom of movement and residence within the border of each state" as well as the right to leave any country and return to that country.

Nevertheless, some compromise with the Warsaw Pact have struck. For instance, in basket two, Western diplomats did not achieve their objective of getting rid of the requirement that Western visitors to the East exchange large amounts of hard currency. This was largely because of East Germany's stance.

In a compromise formula, the 12 neutral and non-aligned CSCE participants, who drew up the draft agreement, simply referred to "considering in a positive spirit the progressive phasing out for foreign tourists of minimum exchange requirements where they apply."

One senior Nato diplomat said: "We would have preferred much stronger language here."

Some Western diplomats would also have liked stronger and more specific language in the agreement to cover those people who have been refused permission to emigrate because of the sensitive nature of their work. This applies particularly to Soviet Jewish refuseniks who have waited years to emigrate.

"The text does not specify that a more humane policy towards refuseniks will be applied retroactively. Nor does it contain a fixed time limit within which the applications from refuseniks who are said to have done sensitive work will now be dealt with.

The document states that the signatories will "ensure within strictly warranted time limits, that any restrictions on that individual's travel is as short as possible and is not applied in an arbitrary manner."

"This is not good enough," several Western diplomats commented. One said: "Some people have been on the list for years . . ."

Some Western diplomats would also have favoured even stronger language on radio jamming, a practice the Warsaw Pact states recently ended under Western pressure. The text does however lay down that "radio services . . . can be directly and normally received in (CSCE) states."

The plus side of the agreement includes a specific text on the cultural and ethnic rights of minorities, something the Hungarians and Canadians fought for. Hardly a word on minorities is mentioned in previous CSCE texts. "We think this Vienna text is a real achievement," said one East European diplomat.

Another concrete development is the right of citizens to receive a reply to requests to visit ill relatives within three working days, a reply to applications on family re-unification and marriages between citizens of different states within three months. Any who are refused such permission should be given the reasons in writing, while cases will be reviewed every six months.

The point about the Vienna document is that it is an attempt to build steadily on what was signed in Helsinki in 1975. In effect, according to Western diplomats, this involves moving from "generalities" to "particularities."

"We have to make this document relevant to peoples lives," one senior Nato diplomat said. "And that means making human rights an everyday reality for the citizens of Eastern Europe and the Soviet Union. That is why we fought so hard for the right to a visa within a certain period of time. In short, the Vienna meeting is part of a very long process."

THE ROAD to a final document at the Vienna meeting has been littered with obstacles, reflecting not just East-West differences, but East-East divisions and West-West ones. The Warsaw Pact has been divided over how far to imitate reformist Soviet policies; and the West on how to respond to them.

If one country stood out in its keenness to reach early agreement, it was West Germany. At the other end of the Western spectrum, countries that wanted as hard a bargain as possible included the US, Canada, the Netherlands, and perhaps most of all, Britain.

The Vienna meeting proper began in November 1986. In February 1987, diplomats from Nato and the Warsaw Pact countries began holding informal meetings, in parallel with the CSCE talks, on a mandate for new talks in conventional arms in Europe – the Conventional Stability Talks (CST).

West Germany made no secret of its impatience to get the CSCE meeting out of the way, so that the CST could start. By July 1988, both the West German delegation (at the urging of Mr Hans-Dietrich Genscher, their Foreign Minister) and the French delegation said the CSCE meeting should be speeded up.

The British, Canadians and Americans said undue haste would mean "watering down" human rights demands. These delegations were determined to achieve what they called a "balanced outcome" in all the areas of the CSCE process, which included military, economic and humanitarian issues.

The rather tense relationship between West Germany and some of its allies was compounded by two other factors.

One was the special link between Bonn and Eastern Europe, largely due to the German ethnic minority and the vexed problem of East Germany.

The other was Bonn's particularly enthusiastic perception of the Soviet reforms. From an early stage, Bonn was prepared to back the idea of a human rights conference in Moscow, while the British, Americans and Canadians were reluctant.

The US, as a precondition, called for the release of all political prisoners, the end of jamming of Western broadcasting stations and more emigration of Soviet Jews.

Mrs Margaret Thatcher, the UK Prime Minister, repeatedly said that Britain's support for a Moscow conference hinged on the "institutionalisation" of the changes. In other words, the "rule of law" had to be established, to ensure that there would be no "backsliding" on Soviet reform.

Britain, unlike West Germany and France, felt strongly about the ideological and propaganda effect of any Moscow conference.

Mrs Thatcher warned against a "sell-out" of those thousands of citizens who had fought for human rights. But towards the end, British and Canadian views became somewhat isolated.

The American position shifted towards one of greater impatience: in some diplomats' view this reflected the keenness of Mr George Shultz, the Secretary of State, to end the meeting before the Reagan Administration bowed out – and to attend the final session himself. US and Soviet diplomats worked intensively to thrash out differences.

The noticeable haste over recent weeks has left several Nato diplomats frustrated.

"It is always a question of fine judgment as to when you think you have enough. It is also a question of fine judgment on how far you can push the Warsaw Pact in accepting fresh commitments on human rights and other issues," one Nato diplomat explained.

Britain is known to have conveyed to Washington, at the highest level, its concern to avoid a "sell-out" to the Soviet Union over human rights. The all-but-agreed date of January 16 represents a compromise between American impatience and British caution.

Soviet Union takes steps to make entry and exit easier

By Quentin Peel in Moscow

THE SOVIET UNION has ordered a far-reaching overhaul of its consular offices abroad, in the latest manifestation of its efforts to reintegrate into the international community, and improve its human rights record.

Soviet officials have been ordered to improve their relations with Soviet citizens, and former citizens, living outside the country – and abandon the view that they are "anti-patriotic."

The issuing of visas to visit the country is to be streamlined, with all formalities abandoned for expatriates, said Mr Boris Chaplin, a deputy Foreign Minister.

The Soviet government is also planning to accede to the 1963 Vienna consular convention, bringing consular relations with 125 states, instead of the current bilateral relations with only 60.

At the same time, Moscow is intending to sign the Hague convention on the recognition of foreign legal documents, and reviewing its own laws on observing international copyright and authorship agreements.

The moves clearly reflect the commitments the Soviet Union will have to make to easing movement in and out of the country under the draft agreement on security and human rights being finalised in Vienna in the coming days. They also indicate a realisation of the need for an administrative overhaul of one of the most publicly inefficient and surly branches of government.

The changes have been ordered following a full-scale conference in Moscow of top officials from the consular service, summoned home just before the New Year.

Mr Chaplin admitted that the service had hitherto suffered serious "deformations" in looking after Soviet citizens, issuing visas to foreigners, and helping promote foreign ties. Some 150,000 expatriates are affected, and as many as 20m former Soviet citizens, he said.

However, he did not make clear whether those stripped of their citizenship would be included in any relaxation of restrictions on returning home.

Acceding to the Vienna and Hague conventions was a further mark of the Soviet desire to enhance the role of the United Nations, Mr Chaplin said. There was also a direct link between better consular services and economic reform.

On the question of Soviet recognition of international copyright agreements, he would not give any commitments. "We do have some work to do in this respect," he said.

On the question of Soviet emigration and travel rights, Mr Chaplin said the question of a five-year passport was under study. "We are preparing a new law on entry and exit, and all these aspects will be studied," he said. There was also a possibility that the Soviet refusal to recognise dual citizenship of children from mixed marriages would be relaxed.

Fiat chief and unions square off

By John Wyles in Rome

MR CESARE ROMITI, the Fiat managing director who took control of the group's car company six weeks ago, has been steadily shedding other managerial responsibilities to leave himself free to face several challenges in the motor sector. These include strident allegations that Fiat is bent on undermining trade union rights.

His arrival as managing director of Fiat Auto in succession to Mr Vittorio Ghidella has coincided with a further outbreak of shop-floor unrest at Alfa Lancia's plant at Arese near Milan.

Long regarded as the designer and wielder of the axe which cut 25,000 Fiat jobs in 1980 and virtually extinguished the unions as an effective force in Fiat factories, Mr Romiti (66) is seen as bent on achieving the same end at Arese, which was brought into the Fiat fold at the beginning of 1987.

Shop stewards at Arese were yesterday collecting rank-and-file signatures on a letter calling on President Francesco Cossiga, to intervene in defence "of the rights of liberty and individual dignity" which Fiat management is allegedly putting at risk at Arese.

Although Fiat has been very successful in introducing its own working practices and methods at the plant, it is now saddled with a *cause célèbre* which has given a new lease of life to an influential group of plant union leaders resentful of the steady decline in their role and importance since Fiat acquired Alfa Romeo.

Towards the end of November, Mr Walter Molinari, secretary of the Communist party's Ho Chi Minh section at Arese, was allegedly offered redeployment and promotion to designer status providing he gave up his union card.

The Fiat manager involved has denied making any such offer and has lodged a defamation complaint against Mr Molinari.

Union leaders say, none the less, that they can cite other examples of similar behaviour, while the magazine L'Espresso is carrying the story of a Turin worker who claims that Fiat offered to pay his son's funeral expenses providing he gave up his union membership.

Significantly, the issue is being taken up by Mr Achille Occhetto, the Communist party leader, who has called a meeting next Monday in Rome of all rank-and-file Communist leaders in Fiat plants.

He is obviously attracted by the idea of targeting Mr Romiti and Fiat Auto as a means of restoring a cutting edge to the party's political and industrial activities.

But there is no tougher or more skilfull adversary than Mr Romiti in all Italy. Clearly anxious to demonstrate that Fiat's core business is now his major priority, he has shed the presidencies of three key group companies in the past few weeks.

Fraga likely to return as party chief

By Peter Bruce

THE HEAD of Spain's main conservative opposition party, Alianza Popular, is expected to announce today that he will not seek re-election at the party's congress later this month. Mr Antonio Hernandez Mancha is withdrawing in favour of Mr Manuel Fraga, the founder of the party who handed over leadership to Mr Mancha in 1986.

The AP has failed to make any impression under Mr Mancha and he has been under great pressure in the past few months not to oppose Mr Fraga, who is returning to restore some order to the party.

Mr Fraga has made it clear, however, that he does not intend to stand as the party's candidate for Prime Minister in opposition to the Socialist Mr Felipe Gonzalez. That daunting task, it seems, will fall to Mr Marcelino Oreja, secretary general of the Council of Europe.

Mr Oreja, once Foreign Minister in the Government of Mr Adolfo Suarez in the late seventies, has joined the AP at Mr Fraga's bidding as vice president and will lead the party's list of candidates in the European parliamentary elections later this year.

That is thought to be only a beginning, however. Mr Oreja has a finely honed diplomatic reputation – as opposed to the rather short tempered Mr Fraga – and he is reckoned to be the AP's best hope of building alliances with other centre-right groups in Spain.

EC shippers lose fight to avert heavy duties on S Korean line

By William Dawkins in Brussels

EUROPEAN shippers yesterday suffered a serious setback in their battle to block the imposition of heavy duties on container traffic carried between the European Community and Australia by a leading South Korean shipping line.

European Commission officials said levies equivalent to 26 per cent of the freight rates of Hyundai Merchant Marine, the line involved, would become effective shortly. The duties were proposed by the Brussels authorities last October and yesterday cleared their final administrative hurdle in the Council of Ministers, the EC decision-making body.

They will be payable when published in the EC's Official Journal, expected in the next few days. Any Hyundai vessel leaving Australia from now on faces levies at its European destination. Initial calculations indicated that they could be charged Ecu2.25m (£1.45m) per year, all of which Hyundai is obliged by EC law to pass on to its customers, the shippers, as higher freight rates.

This will be the first time the Community has charged duties on unfair under-pricing in any service industry and is the first use of a more than two-year-old EC rule against artificial price undercutting in the shipping industry. It threatens to worsen trade relations with South Korea just as the Community is embroiled in a serious trade dispute with the US.

The levies are the result of a complaint lodged in 1987 by eight of the Community's largest shipping lines, representing the Europe-to-Australia shipping conference. Since then, the case has drawn strong criticism from shippers' organisations – the shipping lines' customers – that their costs on the Australian route looked like being forced up for political reasons. Shippers also fear the decision might set a bad precedent, especially for the low freight rates offered by Eastern bloc shipping lines.

The Hyundai levies will be, as originally proposed, Ecu450 (£291) per 20 foot container, doubling to Ecu900 per 40ft container. Loose, or break bulk cargo, is not covered. Hyundai carried the equivalent of roughly 5,000 small containers on that route last year, the Commission estimates.

Brussels believes Hyundai was undercutting European competitors on the route by between 17 and 43 per cent, thanks to artifical advantages like tax breaks and interest repayment holidays from the Seoul Government.

Resignation shocks Turkish ruling party

By Jim Bodgener in Ankara

THE TURKISH Government was rocked yesterday by the sudden resignation of Mr Kaya Erdem, the Deputy Prime Minister long regarded as one of the strongmen of the ruling centre-right Motherland Party.

Mr Erdem told the Anatolian news agency that the reasons for his resignation included "developments after one of our newspapers published a story."

He has filed a law suit against Hurriyet newspaper over a December 12 story which linked him with Mr Kemal Horzum, a Turkish businessman on trial on charges of misappropriating $80m of Turkiye Emlak Bankasi funds.

His resignation came in the wake of a corruption row which has already led to the departure as the general manager of Emlak Bankasi of Mr Bulent Semilar, another leading adviser to Mr Turgut Ozal, the Prime Minister.

According to Turkish press reports – later denied in an official statement – Mr Semilar was forced to resign after quarrelling with Mr Erdem over the handling of the Horzum case. Mr Horzum was detained in Switzerland, and extradited following an investigation led by Mr Semilar.

The Horzum affair has been played out against the background of a growing furore over the allegedly widespread claiming of government incentives for fictitious exports.

● Far fewer allegations of torture in Turkey have surfaced in the domestic media recently than in the days after the 1980 military coup, Mr Ozal said yesterday. He was replying to a question about an Amnesty International report alleging continuing widespread torture in Turkey.

Bonn boosted by jobless figures

By David Goodhart in Bonn

LAST MONTH'S West German unemployment figures were yesterday welcomed by the Government as showing the lowest December increase since 1979.

Although the figure always rises in December, for seasonal reasons, this year the rise was only 99,265, according to the Federal Labour Office.

The December unemployment total of 2.19m represents 8.5 per cent of the workforce, up from 8.1 per cent at the end of November.

But despite the better-than-expected end of year performance, the average number for 1988 as a whole – 2.24m – was 12,800 higher than in 1987, although at 8.7 per cent it was a lower percentage than the 8.9 per cent of 1987.

Mr Heinrich Franke, president of the Labour Office, gave a cautious welcome to the end of year development.

But he also warned that it was not good enough, bearing in mind the sharp rise in the number of women, East Bloc Germans, and foreigners who are expected to seek work over the next few years.

The Labour Office recently called for a DM10bn (£3.1bn) investment programme from the Government over the next 10 years, designed to cut drastically the unemployment.

Without such a programme, Labour Office officials believe that unemployment will remain above 2m until the second part of the 1990s.

The approximately 800,000 new jobs that have been created over the past six years have been only just enough to stop the baby-boom school-leavers pushing the out-of-work figure to much higher levels.

Millan aims to iron out Community inequalities

David Buchan examines the challenges facing the new commissioner responsible for regional funding

MR Bruce Millan, who tomorrow becomes the European Commissioner responsible for the Community's Regional fund, is a poacher turned gamekeeper.

In the late 1970s he was Secretary of State for Scotland and describes the tactics employed by his office in obtaining funds from Brussels. "Every quarter we drew up a list of projects or companies due to get national assistance. We knew roughly what the UK as a whole and Scotland would get from the EC each year. So we just picked out as many projects as were needed to make up the UK quota, and sent the list off to Brussels. Back came the EC money, and the Treasury simply lopped that amount off its expenditure".

This system still largely prevails, but with his new appointment Mr Millan will instead be in charge of allocating the Ecu6.8bn (£4.4bn) a year Regional Fund, the major part of the Community's structural funds that are to double in volume over the 1988-92 period.

These funds, taken together with lending (Ecu9bn in 1988) by the European Investment Bank (EIB), amount to something approaching the scale of total annual lending by the World Bank.

Equally significant is the reform (effective January 1) of these funds to target local development needs more accurately, to get a better gearing between loans and grants, to improve monitoring of Community-aided projects and to try to stamp out the habit, as described by Mr Millan, of governments treating EC money as a budgetary hand-out.

The overall aim is to promote convergence, or at least prevent divergence, between member states at a time when "1992"-style internal deregulation is producing new economic strains and shifts. The existing gaps are quite big enough. Each successive enlargment (the UK, Denmark, Ireland in 1973; Greece in 1981; Spain and Portugal in 1986) has widened them.

By way of comparison with the US, the Community's regional disparities are twice as large in the case of incomes levels and three times as great in the case of unemployment rates.

Ten and a half months of diplomatic wrangling have followed last February's EC summit decision to double the volume of the three EC structural funds – the Regional Fund, the Social Fund, and the Agricultural Guidance Fund. The following main reforms have now been agreed:

● Money from the three funds, rising from Ecu9.3bn this year to Ecu14.4bn in 1992 (in 1988 prices), is to be better coordinated to have a bigger impact. Instead of being parcelled out in penny packets (the Commission approved 18,000 different projects last year), it is to be funnelled into a smaller number of multi-year integrated programmes. The deadline for submission to Brussels of such programmes starting in 1989 is March 31.

● Member governments have committed themselves not to cut their own overall development spending by the amount of new money their regions or sectors get from Brussels. The UK agreed only once it was clear that this commitment applied to the new increase, not the total, of EC structural spending. On individual projects, member states must continue to provide 50 per cent of finance, but for the poorest their contribution can sink to 25 per cent.

● A close partnership is promised between Commission grants and EIB loans, so that projects with higher risk or slower rate of return should be financed more by loans than grants, and vice versa.

The EIB has sometimes been said, in the cutting words of Vicomte Etienne Davignon, when he was an EC Commissioner, to be "not so much a bank as a pawnbroker", because the borrower often has to put up an expensive bank guarantee to get his loan.

But with the big increase in Commission structural funding, the EIB itself has had a genuine concern that Brussels might start throwing its maximum rate of grant at low-risk projects, unnecessarily reducing demand for EIB loans and failing to increase overall investment.

● The criteria for EC grants are to be made more flexible to respond to local needs. The one major caveat to this is that 80 per cent of the Regional Fund is to go to backward regions, defined as all of Portugal, Greece, Ireland, part of Spain and Italy, Ulster and the French overseas départements.

But within this constraint, the aim is to award grants by objective rather than by a region or sector's blanket eligibility. One EC official satirises the old system as "if you're black and white and a cow and live in Portugal, your owner gets 5".

The new question, he says, will be: "What can we do generally to help the Oporto region?". More attention will also be paid to job creation, and less on infrastructure (which presently gets some 80 per cent of regional fund money).

● Local and regional authorities are to be encouraged to take more part in drawing up and implementing projects. "Whether you put a bridge at one end or the other of Cork is not a decision which Brussels is necessarily good at", comments an official. The Commission has set up a new 42-member consultative council of regional and local authorities to advise it.

● Monitoring of projects is to become more systematic. "If we finance a course for 800 electronic engineers, we don't need to decide which colleges take part and what the curriculum is. But we do need to check how many actually took the course and how many got jobs at the end", says an official talking of a typical programme that might be financed out of the Social Fund. Proper evaluation of infrastructure projects like roads is harder, because returns are less immediate.

So what are the chances of success? The Commission has started some isolated integrated aid programmes in recent years and these have met with mixed fortunes. The Belfast programme largely succeeded, despite that city's problems. The EC helped fund renovation of the city centre, including the opera house (as the focus of badly-needed nightlife), and this allowed more local money to go to housing. A similar integrated programme for Naples, on the other hand, never worked well, partly because the 142 different local authorities could never agree.

EC STRUCTURAL FUNDS (Ecu Bn)

Objective	1989	1993†	Lead Commissioner
Backward regions	5.8	9.2	B Millan, Regional Policy
Declining industrial areas	1.0	1.5	B Millan, Regional Policy
Anti-unemployment	1.2	1.8	V Papandreou, Social Affairs
Agricultural restructuring	0.7	0.7	R McSharry, Agriculture
Rural development	0.3	0.9	R McSharry, Agriculture

† 1988 prices

Source: European Commission

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd. Ostergade 44, Copenhagen, DENMARK.

US – LIBYA CONFRONTATION

US finds a handy Mideast scapegoat for a thrashing

By Andrew Gowers, Middle East Editor

JUST 15 days before Mr Ronald Reagan hands over the US presidency to his successor Mr George Bush, his administration is back where it was in its very first year of office: in a military confrontation with a desert nation of only 3.2m people and its unpredictable leader, Col Muammer al-Gadaffi.

The precise circumstances surrounding yesterday's clash over the Mediterranean between US and Libyan jets, in which two Libyan MiG-23s were shot down, remain unclear. But the incident raised striking parallels with a shoot-out between American and Libyan warplanes in August 1981 over the Gulf of Sirte, which Libya claims as part of its territorial waters; and with another clash in the same area in March 1986, in which Libya fired Soviet SAM-5 missiles at US fighter aircraft in the same area.

It was also the clearest possible reminder that Libya has been a singular bugbear – and whipping-boy – for the Reagan Administration ever since it was first elected.

Washington's relations with Tripoli had not exactly been harmonious under President Jimmy Carter. Col Gadaffi threatened to cut off oil exports to the US in 1979 in retaliation for an American ban on sales to Libya of agricultural and electrical equipment and aircraft. Later that year, the American embassy in Libya was sacked by an angry mob protesting against the presence in the US of the exiled Shah of Iran.

But in the demonology of Mr Reagan, a president elected with a mandate to act against Soviet expansionism in the Third World and international terrorism, Col Gadaffi has always been cast in a special role – at times, the master manipulator behind a proliferation of terror groups and atrocities; at others, the soft target which can be clobbered to useful and educative effect. In the process, as many Middle East experts have argued over the years, the US has probably elevated the mercurial Libyan leader to a position of importance on the world stage that he could not otherwise have hoped to occupy.

All the earlier clashes coincided with periods of rising political tension between the US and Libya. In 1981, it was the Soviet threat that was exercising the new administration, with Libya playing host to a growing number of Soviet and East European advisors in Libya and preparing to sign a treaty of friendship and co-operation with Moscow. The US embassy in Tripoli was finally closed down in May.

And three months after the August clash over the Gulf of Sirte, in which two Libyan jets were shot down, President Ronald Reagan claimed that a Libyan hit squad had been sent to the US to assassinate him. Conclusive evidence for this contention was never produced.

In 1985-86, the focus shifted increasingly to terrorism, following the notorious attacks by Palestinian terrorists on passengers at El Al departure desks in Rome and Vienna airports. The US blamed Abu Nidal's Fatah Revolutionary Council and accused Libya of harbouring and training its members. The following month, President Reagan announced a sweeping package of economic sanctions against Tripoli, which he has since renewed every six months.

When these frictions erupted in hostilities, the ostensible cause was a dispute over navigational rights. In December 1985, Col Gadaffi had drawn what he called a "line of death" across the Gulf of Sirte, in defiance of the refusal of almost all other countries to recognise his territorial claim there.

The US, staking out its own role as defender of freedom of navigation in what it holds to be international waters, deployed its Sixth Fleet in the region on manoeuvres. After Libya fired at the US fighters, the Americans retaliated by destroying missile and radar facilities in the coastal town of Sirte and sinking four Libyan patrol boats in the Gulf.

Tensions escalated still further when, in April 1986, the US assembled what it said was irrefutable evidence connecting Libya with the bombing of a discotheque in West Berlin frequented by US servicemen, and with other plots against US targets in Europe and the Middle East. On April 15, Washington exacted its retribution, dispatching warplanes in the middle of the night to bomb a string of Libyan military and government installations in Tripoli and the second city of Benghazi.

In the months and years after the bombing raid, US officials took to expressing quiet satisfaction that Col Gadaffi appeared to have been shocked into toning down his terrorist activities. They also noted that he was forced to retreat from his increasingly costly and futile engagement in support of rebel forces in Chad last year.

In fact, many experienced Libya watchers were somewhat sceptical all along that the Colonel's international role was quite as significant as Washington claimed. There is no doubt that Libya has sponsored terrorism – or that it regularly supplies explosives to the Irish Republican Army – but it is open to question whether it was that active in ordering attacks specifically on American targets. Col Gadaffi's speciality in recent years has been selecting his own easy prey: Egypt, for example, the countries of black Africa and exiled Libyan dissidents; directly taking on Uncle Sam was another matter entirely.

Mr Reagan has always had a strong sense of the need to be seen to do something to combat the scourge of terror. It is in this sense that Libya is a soft target – to be thumped pour encourager les autres.

It is not unreasonable to suppose that in selecting Libya as a special target, the US has been driven by additional motives. Libya is not the only country, after all, to have been involved in a host of unsavoury activities: Syria, for example, is widely suspected of having sponsored terrorism on a fairly large scale, but Washington has not come down on Damascus anything like as hard.

On the other hand, Mr Reagan has always had a strong sense of the need to be seen to do something to combat the scourge of terror. It is in this sense that Libya is a soft target – to be thumped *pour encourager les autres*.

Yesterday's clash in the Mediterranean also follows a sharp rise in tension between the two countries and a fresh resurgence of alarm in the US about Libya's activities. This time, the question of terrorism – appallingly highlighted by the bombing of Pan Am flight 103 over Scotland last month – is accompanied by another issue of pressing concern to Washington, that of the spread of chemical weapons.

Mr Reagan never got round to punishing powerful Iraq for its flagrant use of poison gas in the Gulf war and against its Kurdish minority. But action against Libya for its alleged plant for the production of such weapons might be seen in Washington as a handy substitute in the fight against chemical warfare.

The USS John F. Kennedy fighters which shot down Libyan warplanes yesterday

Recent developments in US-Libyan relations

August 19, 1981: US F-14 fighters shoot down two Soviet-built Libyan SU-22 fighters over the Mediterranean.

January 7, 1986: President Ronald Reagan announces economic sanctions against Libya, freezing Libyan assets in the US and forbidding oil production by US companies there.

March 24-25: US aircraft hit Libyan ships, rocket base in the Sidra area.

April 5: Bomb at West Berlin discotheque kills two, injures 200. The US accuses Libya of involvement in the attack.

April 15: The US attacks Libya in retaliation for the bombing in a series of air raids that are reported to kill 41 people, including Col Gadaffi's baby daughter. Two US crewmen are among the dead.

September 14, 1988: The US State Department announces Libya now can produce chemical weapons.

November 25: A Libyan official tells Italy his country adheres to international prohibitions on the use of chemicals weapons. Those prohibitions do not cover manufacture or ownership.

December 21: Reagan says the US had discussed military action against Libya's chemical weapons plant with allies, and "that's a decision that has not been made yet".

December 22: Libya denies it has built a chemical weapons plant and says doctors, nurses and pharmacists were planning a sit-in, apparently to discourage any attack on what it says is a pharmaceutical factory.

December 23: The Arab League says it is not true that Libya is producing chemical weapons.

December 25: Iran, Iraq and Syria announce support for Libya in the dispute.

December 28: Reagan extends for six months US economic sanctions against Libya, first imposed in 1986.

December 30: The US rejects an offer by Gadaffi, conveyed via Italy, for an international inspection of the plant. A single inspection "could not be conclusive" because the plant "could easily be modified to appear as a legitimate industrial chemical plant," the State Department says.

January 3, 1989: The State Department says it has proof Libya has begun limited production, and says the US will raise the issue at an international chemical weapons conference in Paris beginning on January 7.

January 4, 1989: US F-14s shoot down two Libyan MiG-23s over international waters in the Mediterranean East of Libya.

Disputes centre on Washington's chemical plant allegations

By Lionel Barber in Washington

THE immediate focus of tension between the US and Libya is a huge chemical plant in a desolate site called Rabta, located in the mountains some 40 miles south west of Tripoli.

Col Gadaffi, the Libyan leader, insists the plant manufactures pharmaceuticals, but the US says it has evidence that the complex is capable of producing mustard and nerve gas at the rate of 40 tons a month, making it the largest chemical-weapons plant ever built in the Third World.

Of equal concern is the involvement of at least a dozen West and East European and Japanese companies in the building and design of the plant, which US officials say is surrounded by Soviet-made SA-6 anti-aircraft missiles. "It is not customary to defend a pharmaceutical plant with surface-to-air missiles," said one US official.

For the past few weeks, the US has sought to focus international attention on Rabta because it highlights the proliferation of chemical weapons, a subject which Mr George Bush, the President-elect, intends to pursue when he assumes office later this month.

The US campaign will receive further impetus at a conference of more than 100 countries in Paris from January 7 to 11 which is aimed at bolstering the 1925 Geneva Protocol which bans chemical arms but is widely judged ineffective.

The Rabta complex first came to the attention of the Americans more than a year ago. Initially it was an insecticide plant, says one US official, but around that time a Japanese company – Japan Steel Works – began to help the Libyans construct additional metallurgical production as well as bomb casings for chemical weapons.

Technicians from several other European companies were also apparently involved, including Imhausen-Chemie, the West German company, which the Americans accused by name last weekend as a general contractor. The Bonn Government has said it has yet to discover whether the allegations are true, but confirmed this week that it is investigating five West German companies.

In addition, the US says it has evidence of chemical agents being moved from the original facility to the metallurgy plant, and some reports have surfaced that the Libyans have already produced a very small number of chemical weapons.

All this points to a solid case against Libya, in the view of the Reagan Administration. However, despite the dispatch of several teams of experts equipped with evidence to allied capitals, the Reagan Administration has run into a wall of scepticism.

The immediate problem is forensic. It is very difficult to distinguish between a chemical weapons plant and a pharmaceutical plant because the relevant materials can easily be switched. This is why Washington has rejected Col Gadaffi's latest offer to open Rabta to a one-time inspection.

But the Reagan Administration believes that the Europeans and the Japanese have been less trusting of American evidence than they should have been.

One reason, in the view of one knowledgeable official, is that the Europeans, including the French, the West Germans and the British, are anxious to resume commercial relationships with Libya, and do not want a dispute over a chemical plant to halt business. "There has been a headlong rush," said the official, "and we want this out in public."

Arab outrage likely to be kept to words

By Victor Mallet

WHATEVER the military explanation for the shooting down of two Libyan jet fighters by US navy aircraft, the incident is likely to embarrass US allies in the Arab world and may undermine at least temporarily any US attempts to solve the Arab-Israeli dispute.

Libya, led by the radical and idiosyncratic Col Muammer Gadaffi since 1969, is not particularly popular with other Arab states, but such an attack by the US obliges Arab countries to stand together and condemn superpower aggression.

Yesterday Mr Chedli Klibi, secretary general of the Arab League, described the downing of the jets as an extremely serious aggression and said it jeopardised Middle East peace efforts. But provided the US goes no further – and the US says the incident is closed – Arab outrage may remain a matter of words.

After US attacks on Libyan coastal missile and radar installations in March 1986, the Arab League criticised the Americans but rejected a Libyan call for economic sanctions against the US.

Shortly afterwards the US launched bombing raids on Tripoli and Benghazi. Arab states again condemned the US, but a scheduled meeting of the Arab League failed to take place when Col Gadaffi insisted that the raids should be the only item on the agenda.

Last month the Arab League, worried about a threatened US attack on the plant which Col Gadaffi says produces medicines and the US insists makes chemical weapons, warned that the US risked serious repercussions in relations with Arab countries, but it remains to be seen if the statement was more than bluster.

One of the first Arab organisations to condemn yesterday's incident was the Popular Front for the Liberation of Palestine, the radical group within the Palestine Liberation Organisation which has been called the "loyal opposition" to Mr Yassir Arafat.

Radical Palestinians, some far more extreme than the PFLP, are waiting in the wings for Mr Arafat's recent moderate overtures to Israel and the US to fail.

Fleets meet to bring together formidable US naval power

By Victor Mallet

THE TWO US Navy F-14s which shot down two Libyan jet fighters yesterday were part of the continuous American naval presence in the Mediterranean known as the Sixth Fleet.

According to the Pentagon there are now 23 US ships in the Mediterranean, including the battle group led by the aircraft carrier John F. Kennedy, from which the F-14s were flying when they shot down the Libyan airplanes.

Another battle group, with the aircraft carrier Theodore Roosevelt, is on its way to the Mediterranean and could be there by next week. Although this second group is supposed to be replacing the first as part of a normal six-month rotation, the two could overlap for as long as the US Administration sees fit and thus present Libya with a particularly formidable display of US naval power.

Naval analysts say that with both battle groups in place the US would not need to call on land-based forces to launch an effective strike against the controversial Libyan chemical plant south of Tripoli or against other Libyan targets.

Yesterday's clash demonstrated the superiority of the F-14s, which have been in production since the 1970s and periodically modernised, over the MiG-23s, which are of a similar vintage but less sophisticated.

The Pentagon said the Libyan aircraft approached the US planes "in a hostile manner", prompting the F-14 crew to launch air-to-air missiles and bring down the enemy aircraft.

Defence Department officials claim that the Libyan jets turned on the F-14s at high speed with their targeting radars activated. But Mr Frank Carlucci, the US Defence Secretary, made no mention of the radar issue in a statement late yesterday and said the Libyan aircraft were engaged at a range of 14 miles.

The MiG-23s are equipped with short-range radar which can operate in two modes: search mode and attack or fire-control mode.

A switchover to the attack mode, which might be followed almost instantly by a missile attack, could be detected by the F-14s. It is likely that the US rules of engagement permit the US crews to launch their missiles if the attack mode is selected.

If the US is correct in placing the incident in international airspace north of Tobruk – away from the disputed Gulf of Sirte – it may be difficult to accuse the Americans of provoking the clash, but it is not yet clear in which direction the US battle group was heading.

OTHER OVERSEAS NEWS

Vorontsov set for 'decisive talks' on Afghanistan

By Christina Lamb in Islamabad

MR YULI Vorontsov, the Soviet deputy foreign minister and chief Soviet negotiator, has arrived in Islamabad for what he describes as "decisive talks" on the future of Afghanistan with the Afghan resistance.

While he met Pakistan's Foreign Minister, Mr Yaqub Khan, the leaders of the seven Peshawar-based resistance parties held frantic discussions with Pakistani foreign office officials, at which they decided they would meet Mr Vorontsov before Saturday.

The first round of talks took place in Saudi Arabia early last month, against the will of two of the resistance leaders, who said there was no need for direct dealing with the Soviet Union when the Mujahideen were assured of victory.

Mr Vorontsov's subsequent meeting last month with Zahir Shah, the former king who was deposed in 1973, to whom four of the leaders are strongly opposed, and on Tuesday with Mujahideen based in Iran, were interpreted by the alliance as deliberate attempts to divide them in order to save the Communist PDPA regime in Kabul.

However, under pressure from Pakistan's Foreign Office which sees Mr Vorontsov's visit as the last chance for a peaceful solution, the alliance have for the moment overcome their differences and agreed to meet him with a unified proposal for the future government of Afghanistan, although they have laid down specific conditions for agreeing to the talks.

Mr Vorontsov, Soviet ambassador in Kabul, said he did not know whether the alliance would meet him, and he expressed disappointment at the alliance rejection of the ceasefire offered on January 1 by Mr Najibullah, the Afghan President.

"To continue fighting means killing their own people." He added that the completion of the withdrawal of Soviet troops depended on the situation inside Afghanistan. When asked to elaborate, he said "a good situation would be if there is a ceasefire and no more fighting."

Although alliance representative Abdul Rahim repeated that a ceasefire was impossible while Soviet forces were in Afghanistan and while the Kabul regime was still in place, Mr Vorontsov refused to discount the possibility. "In politics one never says never," he said.

While he was hopeful of peace, much work was still needed. Although the Soviets were prepared to recognise a broad-based government, which would mean a change of government, "it is a big mistake to think that the present regime cannot survive."

However, Soviet plans to airlift leading PDPA members from Afghanistan suggest that this time Mr Vorontsov might agree to drop support for the PDPA in return for a dignified exit for the Soviet troops still in the country.

Delhi plans to spend Rs200bn to expand civil airline

By K.K. Sharma in New Delhi

A MASSIVE expansion of India's international and domestic airlines, whose operations are being impeded by a lack of aircraft, is planned by the Ministry of Civil Aviation which has proposed a Rs200bn (£7.4bn) investment over the next 10 years.

Mr Shivraj Patil, Minister for Civil Aviation, yesterday unveiled the plan under which the fleet of the domestic Indian Airlines is proposed to be increased to 193 aircraft from its present 55, Air India's by another 42 aircraft and that of Vayudoot, the feeder airline that operates in regional routes, by another 50.

If the plan is accepted by the Cabinet and Planning Commission, substantial orders will be made. Manufacturers have not yet been identified but previous orders have gone to Airbus Industrie, Boeing and Dornier.

Recently, the Soviet Union has offered a number of transport aircraft for India's airlines on easy terms involving attractive loans and barter deals that will not put pressure on India's fast-depleting foreign exchange reserves. This makes the Soviet Union the front-runner for the orders despite the fact that its aircraft are not as fuel efficient as those made by Airbus Industrie and Boeing.

The worst affected by a shortage of aircraft is Indian Airlines which has drawn widespread criticism for failing to operate many of its scheduled services in recent weeks. Its performance is unlikely to improve until 19 Airbus A-320s on order arrive later this year. It has still to decide whether it will exercise its option to buy another 19 A-320s.

The Civil Aviation Ministry faces considerable difficulty in having its 10-year plan approved by the Government and the Planning Commission because of the serious shortage of rupee resources and foreign exchange. Earlier plans to buy more aircraft in the next five years have been opposed by both the Planning Commission and the Finance Ministry.

Indian Airlines surveys a catalogue of mishaps

Need for change has united opposition and Government; reports Gita Piramal in Bombay

A NATIONAL disaster is one description being given these days to Indian Airlines, India's domestic air carrier.

Incidents involving its aircraft range from the bizarre to the ridiculous. As 279 passengers waited to disembark at Delhi airport, the airliner fell flat on its nose. On two occasions, pilots apparently forgot to open the undercarriage before landing.

In the 1980s there has been only one crash in which lives were lost – 133 people on board IC 113 going from Bombay to Ahmedabad were killed on October 19 1988. The airline, a government-run monopoly is run more like an inefficient public sector undertaking than a responsible service organisation.

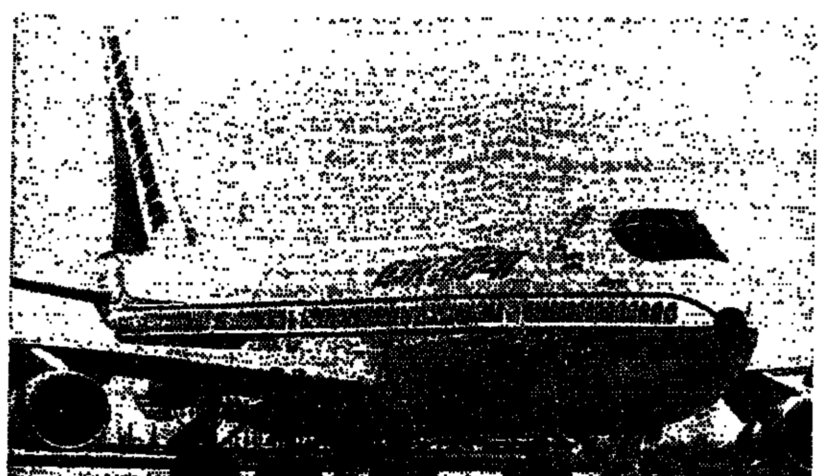
Though faced with rocketing demand for air travel, for six years the Government dithered over the question of whether to buy the aircraft from Boeing or Airbus Industrie. By the time 19 new Airbus aircraft arrive in 1989-90, it is likely that demand will have once again outstripped supply – a classic case of too little and too late.

The need to improve Indian Airlines' service is one of the rare issues on which both the Government and the opposition are united. Two technical committees to probe into the issues of aircraft maintenance and pilot training were appointed by parliament on November 30 1988. Indian Airlines is in a vicious circle. Too few aircraft means a pressure to fly more hours, thereby cutting back on maintenance time. In 1986-87, each of the airline's 11 Airbuses and 27 Boeing 737s on average flew 2,887 and 2,970 hours, respectively – among the highest aircraft use in the world.

As aircraft are taken out of service after mishaps the pressure on the rest of the fleet increases. The company has made arrangements to lease four aircraft to tide over the crisis, but it is not expected that the new aircraft can be put into commercial use until next month.

Political interference at various levels of the airline's management is cited as another reason for the company's problems. "Political interference is one of the basic constraints. It is for the Government to tell the ruling party in parliament that there should be autonomy," said Mr Rahul Bajaj, chairman of Indian Airlines.

Directives from various Government departments and individual politicians pour in daily. Some directives are motivated by national considerations. Flights to the towns of Dibrugarh and Dimapur in north-eastern India, for example, are frequently half empty and uneconomic to cover but are forced on the airline as a social service.



Indian Airlines: an uphill struggle towards improvement

Other directives are less altruistic. The pressure from politicians who want their constituencies well-connected by air, despite the capacity constraints, is unrelenting.

Interference with appointments are as common as meddling with dismissals.

Strained industrial relations have further added to the management problems. The acrimony between the airline's pilots and engineers is rising to a peak.

The company's 21,026 employees, organised into eight unions, have a legitimate cause for complaint: the last wage settlement expired on September 30 1985. In November there was a national one-day stoppage. On December 1 1988 the pilots launched their own campaign.

Once industrial relations improve and more aircrafts become available, the airline will have less justification to gloss over its poor customer services. In September 1988, over nine flights a day were cancelled and out of a total of 8,137 actual take-offs, 2,914 were late. Passengers were rarely, if at all, informed of the changes.

Faced with irate passengers and constant criticism in the media, airline staff have become demoralised. Either they shrug off criticisms or they end up entering into slanging matches with their customers.

Despite the united political front determined to improve matters, things are unlikely to get better, at least in the forseeable future, unless problems are tackled on an emergency footing.

For the former Indian Airlines' employee, Prime Minister Rajiv Gandhi, it is ironic that decline has come when he is in power.

AMERICAN NEWS

Fed to allow foreign currency deposit accounts

By Janet Bush in New York

THE US Federal Reserve has passed a rule which will allow US banks to offer foreign-currency deposit accounts to their customers from the beginning of next year.

The decision was taken at a meeting on December 23 but the rule change was not publicised because the Fed wanted to avoid any potential disruption in the currency markets.

For the same reason, the Fed decided to make the rule change effective a year from now.

The rule change was not announced formally but was contained in a two-paragraph notice in the Federal Register last Thursday.

The ruling is likely to have most effect on small businesses involved in international trading, for example, and commercial banks' retail customers who want to invest in overseas securities markets or who want to hold cash in the US but do not feel confident in prospects for the dollar.

Larger institutions have at their disposal services provided by their banks or brokers to trade in foreign currencies and pay for sophisticated hedging techniques. Many smaller businesses and individuals cannot afford the fees involved in currency hedging.

The Fed's ruling gives them more flexibility when investing abroad. For example, it will be a less complicated transaction for US investors investing in West German bonds if they hold a D-Mark account and can simply transfer funds.

The rule change also obviates, to some extent, the need to hedge currency exposure to an international trade transaction. Currently, the only way to hedge against dollar currency risk is to hold a bank account in a foreign currency overseas or buy futures contracts.

The issue of foreign currency deposits has been raised with the Fed on a number of occasions. In 1973, a request from Bank of America to offer this service was turned down. The impetus for the change of mind is believed to have come from the Federal Reserve Bank in Chicago.

US capital goods orders show sharp recovery

By Anthony Harris in Washington

A SHARP recovery in orders for civilian capital goods, which had fallen sharply in the previous two months, helped to maintain the growth of manufacturing orders in November, according to figures released yesterday by the Department of Commerce.

Non-defence orders in all categories rose 1.1 per cent, seasonally adjusted, while the volatile defence series fell 16.7 per cent, after rising by more than 40 per cent in the previous month.

Total orders rose by 0.3 per cent in the month. Orders had increased 2 per cent in October after falling 1.9 per cent in September.

Apart from defence, the weakest sector was transport goods, where all categories except civilian aircraft fell sharply. Orders in the sector fell 6.1 per cent, after rising by more than 10 per cent in the previous month. These figures tend to be dominated by fluctuations in the generally strong car market.

Once allowance is made for these highly volatile series, the figures appear to confirm some strengthening of demand in November, in line with bullish surveys from the purchasing managers in the last two months.

This is further confirmed by a 0.8 per cent rise in order books, which have now been growing without interruption for nearly two years.

Chile's political pendulum shifts to centre

1989 will be a critical year for democratic hopes, writes **Barbara Durr** in Santiago

IN the weeks running up to the new year Chile's main opposition newspaper, La Epoca, ran a huge full colour advertisement saying "1989 the decisive year."

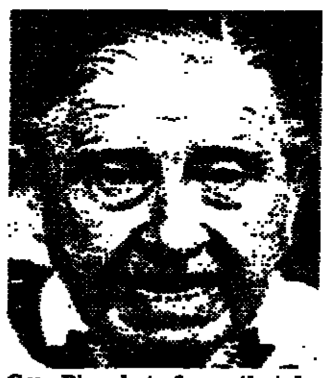
The advertisement captures well the political moment in Chile. All attention is riveted on preparations for presidential and congressional elections in December, the next key step in Chile's return to democracy. It is a time for flowering political ambitions, jockeying for internal party power and sorting out alliances.

The reintroduction of democratic activity is spread over the lengthy 18 month interim between the plebiscite of last October 5 and the exit from power of General Augusto Pinochet in March 1990.

Although immediately after Gen Pinochet's defeat in the plebiscite opposition parties called for earlier elections, they have now retreated from that stand. Officials of the Christian Democratic Party, the largest opposition force, say that parties will need the time to reorganise themselves after 15 years of prohibitions on their activity.

Chile's transition to democracy remains fraught with doubts that Gen Pinochet will leave office gracefully. Whispers of plots and conspiracies to thwart the return of democratic rule continue to be heard. And Gen Pinochet's public statements such as "I have been beaten but not defeated" fuel these worries.

Meanwhile, there is little civilian politicians can do



Gen Pinochet: fears that he will not leave gracefully

except hope and watch carefully for signs that the general is up to something. The Government, on the other hand, is trying to limit any damage a left-leaning future government could do.

It is rushing to privatise public enterprises, extend through a new law its influence over the central bank, and cement its institutional framework for what is called "protected democracy." The opposition calls it limited democracy.

Fully-fledged political activity is not due to pick up again until after the summer months of January and February. In the last several weeks, parties have been selecting potential candidates for next year's presidential election. The most important of these internal party decisions is for the Christian Democrats, widely believed to be the likely leaders of the next government.

In November, delegates were elected to the Christian Democratic meeting due early this year where its presidential candidate is to be finally chosen. Mr Patricio Aylwin, a moderate who is president of the party and currently chief of the opposition coalition, won the most delegates. But the party's election suffered from a high number of irregularities and its results are being challenged by Mr Aylwin's more left-leaning rivals, Mr Gabriel Valdes, a former foreign minister, and Mr Eduardo Freiso.

The dispute has grown to such proportions that it is threatening to split the party. All three men may withdraw and Mr Sergio Molina, an independent within the party, is rumoured to be a possible compromise candidate. Gen Fernando Matthei, commander of the air force and one of the ruling junta, quipped, "it is easier to talk about democracy than really practice it."

Other smaller opposition parties have also picked or are picking their presidential hopefuls. The earliest batch includes a woman candidate, 31-year-old Miss Laura Rodriguez, of the young, unorthodox Humanist Party.

The 17-party Coalition of Parties for Democracy has agreed to back a single, unity candidate but there is disagreement over how the choice should be made. Some within the coalition, such as one branch of Chile's fractured Socialist Party, prefer a convention of all 17 parties to make the final choice.

Patricio Aylwin: under challenge from the left

The Christian Democrats say instead that they would like a consensus on their choice. The likely outcome is that the Christian Democrats will get their consensus in exchange for allowing other parties greater power in the congress and policy concessions.

The Chilean Communist Party, still illegal and outside the opposition coalition, has meanwhile held its first congress since 1969. It did not renounce violence, admitted it had prepared itself militarily and formally greeted the guerrillas of the Manuel Rodriguez Patriotic Front. It also welcomed the possibility of a new democratic era. The Government has, however, used the party's public statements on violence to bring charges against it.

The right has also begun to cast about for its new standard bearer. Gen Pinochet's candidacy has been discarded and, in government circles, the name of Mr Hernan Buchi, the 39 year old Finance Minister, has been floated.

A group of prominent businessmen have already set up an organisation to promote his candidacy although Mr Buchi, traditionally seen only as a technocrat, has so far denied he is standing.

Mr Sergio Jarpa, president of the National Renovation Party and a former Pinochet interior minister, also has his hat in the ring. RN is the most powerful conservative political force, but Mr Jarpa has made enemies in the right's camp and hasn't much appeal for the vast number of young voters.

Another politician of the older generation, Mr Sergio Diez, formerly of the National Party, is well known and a good orator, but his credibility was damaged by defence of the Pinochet regime on human rights at the United Nations.

On the far right, Mr Pablo Rodriguez Grez, founder of the ultra-nationalist movement Fatherland and Freedom, is launching his campaign for the National Advance Party.

Such extremist candidacies as Mr Rodriguez of National Advance or others that may come from the left are unlikely to prosper. After Chile's bitter divisions, public opinion polls indicate that Chileans more than anything want stability and a peaceful return of democratic life. The political pendulum, having swung left and right, seems to have settled in the centre.

US 'falling behind Japan in superconductivity'

THE US is likely to fall behind Japan in the commercial application of superconductivity unless it puts more money and better organisation into long-range development, an advisory panel says, AP reports from New York.

The report to President Ronald Reagan said the US scientific establishment was not organised properly for development work in fields such as superconductivity, where important profit-making uses are at least a decade away.

The panel urged the creation of four to six superconductivity consortiums scattered around the country that would unite university, government and industry laboratories that are working on superconductivity.

The consortiums would cost the federal government about \$25m to \$30m a year, on top of the roughly \$90m the government already spends on superconductivity research.

In addition, the panel recommended an increase of "a few million dollars" a year in grants to universities for basic research.

Superconductors can conduct electricity without any loss of energy from resistance when they are kept extremely cold, raising the possibility of more efficient engines and motors, faster computer chips and improved scientific devices such as particle accelerators and magnetic fusion machines.

The proposed consortiums would close the gap between the short-term profit focus of industry laboratories and the long-term scientific focus of university laboratories, Mr Ralph Gomory, the chairman of the panel and the chief scientist of International Business Machines said.

Li concession on Expo 86 site

Hong Kong businessman Mr Li Ka-shing has undertaken to give Canadians priority in the purchase of condominiums to be built on Vancouver's Expo 86 waterfront site which he acquired last May for C\$320m (£148m), Robert Gibbens reports from Montreal. In return, British Columbia's Premier William Vander Zalm has withdrawn a threat to renegotiate part of the sale contract.

Mr Vander Zalm has been faced with growing criticism that Hong Kong immigrants were being favoured by Mr Li in his condominium developments.

Argentina passes spending laws

By Jeanette Staubus in Buenos Aires

AFTER MONTHS of feuding, late-night negotiating and back-room deals, Argentina's Congress finally passed a tangle of important spending laws late last week.

As the final votes were counted confirming approval of the bills, Mr Saul Ubaldini, secretary general of the General Confederation of Labour, burst into tears of joy.

The bills were fudged through Congress as part of a complex exercise in which the Radical Government's initiatives were balanced by concessions to the Peronist opposition. Since September 1987, when the governing Radical Party lost its congressional majority in national elections, the Radicals have frequently had to barter with the Peronists over legislation.

The extraordinary result of the latest bout was the approval of the 1988 budget, during the final hours of the year's last parliamentary session, and retrospective authorisation for overspending above 1987 budget limits. As in the previous year, Argentina had sailed through 1988 without an approved budget.

The new budget will not influence spending, since the fiscal year is already over. However, the delay in passing it allowed the Government to spend by decree, financing expenditure by drawing on special funds, for example the road-building fund, to avoid large-scale deficit spending. The Treasury has thereby emerged from 1988 with a relatively low deficit and accounts more palatable to international creditors.

To induce Peronist senators to consider the budget, the Government agreed to create two bonds, together worth \$340m, to bail out bankrupt Peronist local administrations. Congress also passed changes in social security laws, broadening access to social welfare.

US warns Buenos Aires on role of the military

THE US will co-operate militarily with Argentina only if its armed forces remain subordinate to civilian rule, Mr Frank Carlucci, US Defence Secretary, said in a letter published yesterday, AP reports from Buenos Aires.

The three-paragraph letter to Mr Jose Horacio Jaunarena, Argentina's Defence Minister, was published by the newspaper La Nacion. The US Embassy confirmed the details.

The letter said: "Recently, I sent you my best wishes for happiness during the holidays. I don't want to get away from the spirit of celebration of these days. Nevertheless, the recent military unrest in Argentina and the potential threat that this type of development creates for democratic stability and civilian control are a cause of concern.

"We should be proud that with the return to democracy we have made notable progress in re-establishing a relationship of security that reflects our common interest. . . Our capacity to maintain a bipartisan political consensus and continue in this direction depends on the continuation of this form of government in Argentina," the letter said.

WORLD TRADE NEWS

Toyota to start sending US-made cars to Taiwan

By Kevin Done, Motor Industry Correspondent, in Detroit

TOYOTA, THE LEADING Japanese automotive group, is to begin regular exports to Taiwan of cars from its US assembly plants.

Toyota said that it was planning to export nearly 5,000 cars a year to Taiwan from its US facilities following successful test marketing last autumn.

The US-built exports herald the start of a new offensive by Toyota in the Taiwan vehicle market, and its car range will be increased in the spring, when it begins local assembly of Corona saloons at its Kuozui Motors assembly plant in Taiwan. Toyota already markets locally-assembled commercial vehicles in Taiwan.

The Japanese automotive industry is rapidly expanding its production base in the US. The output of Japanese plants in the US totalled 648,000 vehicles in 1987, but capacity is being increased at existing plants or plants under construction to reach 2.12m units in 1990 and 2.68m units by 1992.

Some other Japanese car makers have also begun exports from the US to the Far East, such as Honda to Japan, and it is thought that exports of Japanese-badged cars to Western Europe from the US could begin in the early 1990s.

The bulk of the Toyota shipments to Taiwan will be of 300 Camry saloons a month, from its wholly-owned assembly plant in Georgetown, Kentucky. They will be launched in Taiwanese markets in February.

From March these will be supplemented by the shipment of 100 Corolla saloons a month, supplied from New United Motor Manufacturing (NUMMI), Toyota's joint venture with General Motors at Fremont, California.

Toyota said it expects its overseas automobile production to jump by 80 per cent this year to around 450,000 vehicles, while domestic output in Japan is forecast to remain unchanged at 3.96m units following a 9 per cent rise in 1988 to 3.97m units.

Toyota said its automobile exports from Japan would decline marginally to 1.78m units this year, following a modest 3 per cent rise to 1.82m units in 1988.

Domestic Toyota sales in Japan jumped by 14 per cent in 1988 to 2.13m units. Toyota expects a further 2 per cent rise this year.

International air traffic 'to grow 8% this year'

By Michael Donne, Aerospace Correspondent

A FURTHER GROWTH in international air traffic of about 8 per cent during 1989 is forecast by Dr Gunter Eser, director-general of the International Air Transport Association, which now has 180 airline-members world-wide.

Business remained strong throughout 1988, says Dr Eser in a New Year statement, "and there are no signs of a slow-down. International traffic rose 10 per cent in 1988, while capacity offered increased by 9 per cent."

One reason for the expected further growth in the coming year is that IATA sees no likelihood of the current easing in fuel prices being reversed sharply during the first half of the year.

But he stresses that a repetition of severe air traffic congestion experienced during the past year, especially in Europe and North America, is "the major concern we have about 1989," although he adds: "One can never be sure of such trends ahead of time."

As for IATA itself, Dr Eser says "we have a new organisation structure to meet our airlines' needs for the '90s and continuing interest in membership.

"In recent weeks, Aloha Airlines has joined the association, and two large Asian carriers – Korean Airlines and All-Nippon Airlines – have come in on January 1, bringing total membership to an all-time high of 180 airlines."

Hills appointment puts a premium on competence

The new US Trade Representative must overcome lack of experience in the field, writes **Lionel Barber**

EVEN the reputedly unflappable Mrs Carla Hills must have experienced a frisson of surprise when she heard that Mr George Bush, the President-elect, had chosen her to be the next US Trade Representative.

Intelligent, highly organised and supremely well-connected in Washington, Mrs Hills, a 54-year-attorney, always ranked high on the list of Cabinet candidates once Mr Bush made clear he wanted women and minorities well represented in his administration.

But the post of US Trade Representative is something rather special, a job requiring a mastery of often mind-numbing detail as well as a flair for political deal-making with the US Congress, which under President Ronald Reagan began increasingly to influence trade policy.

Mrs Hills has acquired some trade experience while employed at the Washington law firm of Weil, Gotshal and Manges, and she sits on the boards of half a dozen major corporations ("multinationals really are my menu", she confided in a recent post-election profile) including IBM, American Airlines and Chevron.

But her last experience in government was in a different era when, more than 10 years ago, she ran the Justice Department's civil division after the morale-shattering Watergate scandal. President Ford spotted her management skills and she was promoted to Secretary of Housing and Urban Development, a chaotic and sometimes corrupt agency to which she restored a measure of order and output.

The Hills appointment has disappointed those who pressed Mr Bush to select a trade expert to succeed the present Trade Representative, Mr Clayton Yeutter (who is moving over to become Secretary of Agriculture) in short, a policy maker not an administrator.

Those arguing the case for a policy-maker begin with America's \$140bn trade imbalance with the rest of the world, and the pressing need to reduce it. Then they point to the array of issues confronting the incoming administration: US-EC disputes over farm export subsidies and the need to revive the stalled Gatt round in the spring; Congressional pressures to curb foreign investment in the US; implementation of the new US-Canada Free Trade Pact and last year's Omnibus Trade Law. Above all they stress the emerging challenge of an integrated internal market in Europe by 1992.

So why did Mr Bush choose a novice to be his top trade official? Some see the hand of Mr James Baker, the Secretary of State-designate and former US Treasury Secretary who wants to retain influence over a key policy area.

Others contend that Mr Baker has his hands full at the State Department, and at best he would merely have cautioned Mr Bush against playing into the hands of Congress, which wanted a heavyweight to vindicate the provisions of last year's Trade Law boosting the powers of the Trade Representative at the expense of the President.

Whatever the case, Mrs Hills will bring a grim determination to the job. Back in the 1960s, when she was one of the first women anti-trust litigants in her native California, the career-conscious Mrs Hills disguised her first pregnancy by losing 20 lb and wearing box suits in court. Three further weight-watching pregnancies followed, according to her gregarious husband, Roderick, a former clerk to the US Supreme Court and chairman of the Securities and Exchange Commission.

Mrs Carla Hills: will bring determination to her post

It was Mr Elliot Richardson, then Attorney General under President Nixon who invited Mrs Hills to come to Washington. A few months earlier Mr Richardson had approached Mr Hills for a top job at the Pentagon, but the move did not work out. Then, over dinner, he met Carla. "She has a very clear head," he says of his protege. "She is objective, tenacious – and she can be steely."

During the Ford administration, the Hills became a power couple in Washington. Roderick was at the White House, then at the SEC. Mrs Hills enjoyed Cabinet rank as HUD Secretary, and would have become acquainted with Mr George Bush, then director of Central Intelligence. Alliances and friendships were forged over dinner and on the tennis court, where Mrs Hills, a former West Coast champion, displayed a punishing array of strokes.

These Republican ties were cemented over the next 10 years with more than \$85,000 in campaign contributions to a variety of candidates and causes, from right-wingers such as Senator Orrin Hatch of Utah to moderates such as Senator Mark Hatfield of Oregon.

In the 1980 Republican primary presidential campaign, the Hills contributed to Mr Bush, Senator Robert Dole of Kansas, and Senator Howard Baker of Tennessee but not apparently to the eventual winner, Ronald Reagan. Mr Hills says he and a friend later raised \$1m on behalf of Mr Reagan, but it is pretty clear that the conservatives never took the California couple to heart. And so the Hills, like many of their fellow Establishment Republicans, went into exile waiting for Mr Bush.

Now their time has come. The Hills appointment – to turn Mr Bush's campaign slogan on its head – is a triumph of competence over ideology. For even Carla Hills' friends cannot point to a political creed or philosophy. Roderick says: "Carla is moved by the utilising of time."

Nevertheless, Mrs Hills faces sharp questions about her views on trade – and her connections with foreign corporations – when she appears later this month at Senate Finance committee confirmation hearings.

In 1985 and 1986, while managing partner of Latham, Watkins & Hills, she registered as a foreign agent for Daewoo Industries, the giant Korean trading and manufacturing conglomerate which pleaded guilty in 1985 to criminal charges of concealing prices to avoid US anti dumping laws.

Senators also intend to quiz her about her husband's activities, which include pressing Congress to drop sanctions last year against C.Itoh, the Japanese trading conglomerate which handled the sale of submarine propeller technology to the Soviet Union by a subsidiary of Toshiba Corporation.

Mr Hills – who was fired as chairman of the ill-fated Sears World Trading in 1984 – currently runs the Manchester Group, a small, Washington-based, merchant bank in which a former US Trade Representative, Mr William Eberle has a financial stake.

Mr Lloyd Cutler, former White House counsel under President Jimmy Carter, has known Mrs Hills for more than 30 years since their days at Yale Law School. He says the Hills' activities on behalf of foreign companies are minimal by Washington standards. And he praises her management, political and negotiating skills. "It is too early to tell whether she will be a key policy maker or not," he cautions.

Most believe Mrs Hills faces a tough challenge running an agency which, despite its importance, is all too often paralysed by the need to consult the bigger players in the Treasury and State Department. Mr Robert Strauss and Mr William Brock, two of the most successful trade representatives in the past 10 years, discovered the solution was to generate pressures in Congress – which in turn forced the bureaucracy to respond.

This was not a skill which Mr Yeutter practised with much success. Mrs Hills, who is not known for her gregariousness or her sense of humour, will have to learn to pump the flesh a little to win over a sceptical Democratic majority in Congress. If she fails, neither Mr Bush nor her friends in the Republican aisle will be of much help.

Britain and Denmark urge lull in trade hostilities with US

By Tim Dickson in Brussels

BRITAIN and Denmark were last night making efforts to convince their European Community partners that a lull in trade war hostilities with the US best serves their interest.

The moves came on the eve of today's meeting in Brussels of Community ambassadors, which has been specially convened to discuss details of the EC's planned counter-retaliation against Washington's New Year's day ban on almost \$100m (£55.5m)-worth of European food products.

Member states are far from unanimous about the next step in the dispute, which came to the boil on January 1 with the EC's bar on \$100m of hormone-treated US beef.

Brussels has complained to the General Agreement on Tariffs and Trade that the US retaliation is illegal and has drawn up a provisional "hit list" of US products which could be targeted in a new round of counter-retaliation.

Britain and Denmark believe there should be a pause for reflection, and that the matter should be taken up again by EC Foreign Ministers at their regular monthly meeting in Brussels nearer the end of the month.

Other member states, encouraged by Commission President, Mr Jacques Delors, are understood to be anxious to send a more aggressive signal from today's meeting and to avoid any impression to the US side that Community resolve is weakening.

Last night the Commission had still not finalised its proposal to put to today's meeting - a sign, some observers say, of the divisions within the Brussels executive.

A key player in the negotiations could well be West Germany, which firmly supports the EC's ban on the use of hormones in beef but is increasingly alarmed by the prospect of worsening trade relations with the US.

The consumer magazine Test Achats yesterday published a survey of Belgian butchers suggesting one in four is selling meat treated with hormones.

To some extent this confirms what many have long suspected – that the EC ban is being widely breached – but EC meat traders fear the survey could make the US feel justified in escalating the war.

They cite the way the US farm lobby and a powerful group of senators have been urging the US Government to invoke a clause in the Trade Act to keep out all EC meat imports on the grounds that they do not meet US health standards.

Washington has been coy about what counter-measures the US will take if the EC invokes its new "hit list" – but officials in Brussels have tended to play down the possibility of the total EC meat ban.

UK NEWS

Directors urge £6bn tax cuts to encourage saving

By Ralph Atkins, Economics Staff

A TAX-CUTTING package worth £6bn to stimulate savings and check rises in Britain's tax burden should be introduced in this year's budget, the Institute of Directors (IoD) urged yesterday.

Mr Nigel Lawson, the Chancellor of the Exchequer, should ignore calls to restrict tax cuts because of the strength of consumer spending and the growing trade deficit, said the institute.

Its budget document includes tax cuts costing £7bn in the first year, offset by a £1bn reduction in government spending on health and education. It says the basic rate of income tax should be cut by 2p to 23p with the single higher rate cut by 10p to 30p.

The proposals come as Treasury ministers and senior officials prepare for a budget strategy meeting this weekend at the Chancellor's official country residence in Dorneywood, Buckinghamshire. The team is expected to consider the outline of options available for the budget, likely to be given in the middle of March.

The IoD's budget submission, Time to privatise saving, includes a variety of measures designed to encourage saving.

It says the Government has not cut taxes – revenues as a proportion of gross domestic product have risen from about 33 per cent in 1979 to an estimated 39 per cent in 1988.

The document says that the proper response to excessive personal consumption is monetary constraint combined with a fiscal stance which encourages saving and financial responsibility.

Sir John Hoskyns, director general, said: "If the Government leaves money with the people who earned it, and removes the present disincentives to saving – inheritance tax, capital gains tax, income tax on investment income and stamp duty – then people will save."

The institute also proposes raising personal allowances by 1 per cent, cutting corporation tax by a percentage point to 34 per cent, offering tax relief for private health and education and incentives for investment in shares.

The IoD estimates its package would leave the tax burden in 1989 unchanged from last year. If there were no tax cuts this year it calculates tax revenues as a proportion of GDP would rise to a post-war record of 40.3 per cent.

The IoD says that as a minimum budget tax cuts should be large enough each year to prevent the burden from becoming heavier and should ideally be cut further to start reversing the rise since 1979. This would require further tax cuts of some £19bn in the budgets of 1990 to 1993.

●Separately, Britain's gold and foreign currency reserves rose by an underlying $461m last month, Treasury figures published yesterday show.

The rise, slightly higher than in November, highlighted the scale of official reserves the Government could use to defend sterling if necessary. At the end of December the total was $51.69bn.

The underlying change results from a variety of transactions, including some for Government departments, but it provides a rough guide to the scale of official UK foreign exchange intervention.

The modest rise suggests that intervention last month was limited. Much of the increase could also reflect intervention at the end of November to check a rise in sterling, the effects of which fell partly into the December period.

The actual increase in December was a rise of $645m. The difference between this and the underlying increase is largely explained by proceeds of $784m from the third tender of UK Treasury bills denominated in European Currency Units (Ecu) offset by $367m maturing Ecu bills.

In addition, repayments of borrowing under the exchange cover scheme, under which nationalised industries borrowed on foreign exchange markets, totalled $103m. Repayments of long-term North American loans amounted to $130m.

Privatisation option for defence establishments

By Lynton McLain

THE MINISTRY of Defence has undertaken a six-month study of its six proof and experimental establishments – main centres for testing arms and munitions – which may result in them being privatised or formed into an agency operating at a distance from Whitehall.

"We intend to look at all options for the future of the proof and experimental establishments, including privatisation," the MoD said yesterday.

"It was decided only recently to go ahead with a study of the proof and experimental establishments, but this will be along the same lines as the recent study of the defence research establishments", the MoD said.

The new study, although separate from the one started last year into the future of the six defence research establishments, will take account of decisions to be made about their future.

The proof and experimental research establishments are some of the most secret in the MoD. They are are all in isolated locations in England, Wales and Scotland.

The centres, which also test bombs and missiles for the UK armed forces, cost a total of about £35m a year to run. They are licensed to carry out explosions and test weapons, but are constrained from operating as fully commercial organisations, although they have extensive, under-used facilities.

The establishments test, or "proof", all arms and munitions to standards laid down by the Ordnance Board. About a third of their costs, including MoD overheads, depreciation and pension liabilities, are outside the control of the establishments.

Much of their routine work has already been contracted out to the private sector to cut the civil service payroll and to introduce greater efficiency. Work at one establishment at Shoeburyness, Essex, was contracted to RCA Corporation of the US three years ago.

The establishments have much empty land that could have commercial potential if made available to the private sector, or if the establishments had more flexibility to exploit these and their other assets for commercial purposes.

The study of the defence research establishments is complete. These are the Admiralty Research Establishment, the Royal Armament Research and Development Establishment, The Royal Signals and Radar Establishment, the Royal Aerospace Establishment, the Chemical Defence Establishment and the Aeroplane and Armament Experimental Establishment.

Mr Geoffrey Pope, head of the Royal Aerospace Establishment, said at the end of last year that the aim was to create a single research agency, amalgamating the six separate establishments.

A Defence Research Agency would have powers for the first time to make a profit and raise capital on the commercial market. A decision on the future of the research agencies is expected shortly.

Share body admits vetting flaw

By Clive Wolman

THE Securities Association did not discover last autumn that a Government investigation was continuing into County NatWest, the merchant banking arm of National Westminster Bank, when it vetted candidates for its board and executive committee, because of misunderstandings and poor contacts between regulators.

The failure meant that the TSA's nominating committee approved the nomination in autumn of Ms Elizabeth Brimelow, an executive director of County NatWest responsible for compliance, as a TSA board member, an executive committee member and chairman of the conduct of business rules committee.

Ms Brimelow, who now works for Charterhouse merchant bank, has become one of the characters at the centre of the investigation of inspectors appointed by the Department of Trade and Industry last month. The investigation is into the secret stake in Blue Arrow, the recruitment company, which was acquired by County NatWest, its investment bank, and by Phillips and Drew, its broker, after an unsuccessful rights issue and placing of Blue Arrow shares in September 1987.

The status of any inquiries into the deal and Ms Brimelow's involvement was raised at a nominating committee meeting chaired by Lord Colville in October. Professor Mervyn King, of the London School of Economics, a TSA board and nominating committee member, said he expected inquiries to be made of the joint Stock Exchange-TSA department responsible for surveillance and enforcement.

Mr Geoffrey Turner, secretary to the committee, was asked to investigate. Another TSA official was instructed to *telephone the Stock Exchange's* committee responsible for rights issues. But the exchange officials he spoke to thought he was referring to a different investigation which they had cleared up. They gave what Mr Turner described as a "nil return". Ms Brimelow's nomination was approved.

The surveillance-enforcement department was not contacted, although earlier in the year it had examined County NatWest's Blue Arrow stake and expressed its concerns to the DTI. The DTI in October was already preparing to launch of a full investigation by inspectors after spending several months asking County NatWest and its parent. The DTI was not contacted.

Mr King says the committee did not expect the DTI to be helpful, after several conflicts between the regulatory bodies and a series of past rebuffs. "Our procedures were not up to the job and we did not look carefully enough," He said. "If any of what we now know about had come out then, we would not have proceeded with her (Ms Brimelow's) nomination."

Satellite TV finds a receptive audience

By Raymond Snoddy

THORN-EMI said yesterday it had discovered a high level of interest in satellite television among television rental customers. More than 10,000 responded to a questionnaire on satellite television saying they were interested in paying for a rental package.

Thorn said installation would cost £69.99 and the monthly rental fee would be £19.99, compared with an average of about £9 a month to rent television sets.

Mr Graham Houghton-Brown, managing director of Thorn-EMI Television and Video Centres, the Thorn rental division, regards the response as much firmer than normal market research and has ordered more than 40,000 pieces of satellite equipment from Grundig, the consumer electronics company. Grundig remote control equipment is already in the shops retailing at around £349.

Mr Houghton-Brown said he was "very excited" at the high level of interest expressed.

Mr Rupert Murdoch will launch Sky Television, which will soon have six television channels, on February 5.

Mr Bill Andrews, chairman of the Granada retail and rental division which includes both Granada and Visionhire rental shops is also experiencing a high level of interest in satellite television.

Granada plans to rent out equipment for the Astra satellite carrying Mr Murdoch's channels despite being a founder shareholder of British Satellite Broadcasting, the company planning to launch a rival satellite in August.

Granada have decided to buy from Salora, the Finnish-owned manufacturer, and from Tatung (UK) the South Korean owned company.

Mr Andrews said yesterday it was likely that the monthly price for Granada's rental package would be similiar to that set by Thorn.

He said creating a market for satellite equipment would be "a long game" and educating the public would be as important as shifting a large volume of receivers in the shortest possible time.

Lockerbie mourns victims of Pan Am disaster

By Michael Donne, Aerospace Correspondent

MRS MARGARET Thatcher, Prime Minister, with her husband Denis, led the UK mourners including Government ministers and opposition leaders at the memorial service in Dryfesdale Parish Church, at Lockerbie, yesterday for the 270 victims of the Pan American Jumbo jet disaster.

Mr Charles Price, US Ambassador to Britain, was among those present, along with Mr Thomas Plaskett, chairman of Pan Am, and a large number of the airline's employees.

All search activities were suspended for the duration of the service.

More than 5,000 people filled the town for the service, which was relayed from the church to adjoining venues.

Scotland's leading churchman, Professor James Whyte, Moderator of the General Assembly of the Church of Scotland, echoed Mrs Thatcher's view that retaliation for the disaster would be wrong.

Philip Rawstorne writes: The British advertising and marketing group, WCRS, has won Pan Am's $61m (£34m) international advertising account.

Pan Am's choice was made before the Lockerbie disaster and no decision has yet been taken about the timing or form of a new marketing campaign.

There is some speculation that all advertising may have to be suspended until public opinion has been fully assessed in the aftermath of the Lockerbie.

But since it has now been established that the disaster was caused by a terrorist bomb, it seems more likely that Pan Am will ask WCRS to begin work on the new advertising as quickly as possible.

The account, formerly held by the US agency, Wells Rich Greene worldwide, and Holmes Knight Ritchie WRG in the UK, was won by WCRS's US arm, Della Femina, McNamee WCRS, in a final contest with Ogilvy & Mather.

Mr Roger Neill, deputy chairman of WCRS Advertising, said yesterday that the lead in administering the business would be taken by Della Femina in New York, which would work with a number of WCRS branches and affiliate agencies throughout the world.

Residential care for old, disabled 'at risk'

By Alan Pike, Social Affairs Correspondent

SOCIAL SECURITY benefit levels are too low for voluntary bodies to sustain the provision of residential care for elderly and disabled people, the National Council for Voluntary Organisations said yesterday.

The council warned that the future of up to 50,000 people living in residential accommodation run by voluntary organisations is in jeopardy because of financial pressures.

"Without sufficient funds voluntary sector providers teeter on the brink of financial collapse and individuals are being denied access to residential care," said Ms Christine Peaker, NCVO's residential care development officer.

Voluntary organisations rely on Department of Social Security board and lodging allowances to finance the accommodation which they provide. But a survey by NCVO shows that during the past two years average costs have risen by between three and four times the amounts by which benefits have been uprated.

NCVO says its survey shows that two-thirds of homes for elderly people are unable to meet the costs of providing care through charges paid by residents, and some charities face financial shortfalls in excess of £1m this year.

Some homes are therefore closing and others are being forced to reduce the quality of care, while new developments are being abandoned. Some organisations, says NCVO, have been compelled by financial pressures to offer their services to people able to pay their own fees rather than those in most need.

Sponsors of the NCVO study include Servite Houses, a housing association which has closed two residential homes in London – one for physically frail elderly people and the other for physically handicapped people of all ages – because of financial pressures.

Who Pays, Who Cares? The Future Funding of Residential Care NCVO 26 Bedford Square London WC1B 3HU £3

Ford may seek more job flexibility in Britain

By Our Labour Editor

FORD is seeking the introduction of more flexible shift patterns to raise production and make more intensive use of machinery, British union leaders have been told by their counterparts in continental Europe.

A report by the International Metalworkers Federation shows that Ford has introduced wide-ranging changes to shift patterns in its European plants, including weekend working, to raise production.

In addition, it is thought that the company may follow the lead General Motors has taken in introducing changes to weekday shift patterns, particularly for maintenance workers, to allow more intensive use of machinery.

A recent meeting of Ford union leaders from Britain, West Germany, Belgium, Spain, France and Portugal, were told of a range of changes the company has introduced.

In West Germany workers producing key components such as overhead cam engines regularly work on Saturdays to meet demand from Belgian assembly operations.

At the company's Cologne plant managers want to introduce a new deal which would allow plants to produce six days a week.

In Belgium, daily shifts have been extended to nine hours in some operations and days off have been cut.

The company's Amulsafes' plant in Spain is working almost 24 hours a day, after the introduction of a night shift. Most new workers are being employed on temporary contracts to avoid long-term commitments, according to union officials.

Union officials from the company's French transmission plants reported that temporary workers had been employed for special Friday, Saturday and Sunday shifts, to avoid having to negotiate extended working with the unions.

British union officials report a series of moves to introduce flexible shift patterns through local agreement. For example, overtime working has become common at the company's assembly plant at Dagenham, east London.

UK NEWS

Hoare Govett cutback hits 200 City jobs

By Clive Wolman

SECURITY PACIFIC Hoare Govett, one of the three largest and most profitable stockbrokers in Government gilt-edged securities in the pre-Big Bang era of the City of London, yesterday announced that it was making 200 people redundant by shutting down its operations in gilts and other international securities.

Some 135 people have lost their jobs in London of which about 90 are in clerical and support positions. These employees were involved in gilts and in the firm's Eurobond activities, which will also be shut down only three years after they were started.

A small number of jobs will be lost from the firm's capital markets activities in Geneva and 50 people are being made redundant from the Japan office. This is the result of a decision to withdraw from the selling of Japanese bonds, warrants and equities to local investors. The Tokyo office, however, will continue to sell non-Japanese securities.

The decision was taken after the firm had suffered a steady decline in its market share from about 10 per cent of stockbroking business before the Big Bang reforms of October 1986 to only 2 per cent in recent months.

Total losses suffered by Hoare Govett through its involvement in the gilt-edged market since 1986 have not been disclosed although some in the firm have claimed that they were as little as £5m.

The other factor behind the decision has been the deteriorating conditions and outlook for gilt-edged market markers over the last year. Prices have moved up or down very little, trading and customer business have been desultory and the Government has been steadily withdrawing the amount of stock in issue.

In the first year after Big Bang, the intense price competition meant that only four of the 27 market-makers traded profitably. But it is thought that none of the 22 surviving market-making firms (including two Japanese newcomers) has recently traded profitably.

The firm's withdrawal from the gilts market will release £25m of capital which Mr Peter Voss, the chief executive of Security Pacific Hoare Govett, said will be re-applied to five key areas: UK and international equities, corporate finance, interest rate and risk management products and selective corporate banking.

The decision highlights the particular difficulties that have faced American banks and securities firms in managing UK acquisitions in the newly deregulated market.

Already three other US and Canadian firms have withdrawn from the gilt-edged market, Citicorp Scrimgeour Vickers, Pru-Bache securities and Orion Royal Bank. The other three firms that have withdrawn since 1987 have been Lloyds, Hill Samuel and Morgan Grenfell.

Lex, Page 16; Caught in stormy seas, Page 17

Legal reforms may face delays

By David Churchill

GOVERNMENT plans to reform the legal profession – especially ending the traditional monopoly enjoyed by barristers – may take longer to implement than first thought.

A government discussion document on reform is to to be published later this month after a review by Lord Mackay, the Lord Chancellor.

However, there is speculation within the legal profession that some of the most controversial changes under review, such as ending the monopoly of barristers as advocates in higher courts may not be seen as feasible to introduce until at least the mid-1990s.

The Lord Chancellor may also decide that opening up the higher courts to solicitors needs further inquiry outside the scope of the Green Paper.

Quarter of N Sea oil production shut off

By Steven Butler

NEARLY a quarter of Britain's normal oil production is now out of action after an accident on Sunday at the Brent Delta platform in the North Sea that cut a further 100,000 barrels a day, or roughly 5 per cent, out of the total.

This follows an incident last week at the Fulmar field, which cut 210,000 b/d from production, and the Piper Alpha disaster last July that caused a loss in output of 270,000 b/d.

Oil production at the Brent Delta platform, operated by Shell Expro, has been shut down since Sunday. This followed the bursting of a gas vessel, which damaged electrical wiring and pipes in the platform's oil and gas processing unit.

The platform also produces 200m cubic feet a day of gas. The company was unable to say when full production might be resumed, although part of the crude oil production might be started before all repairs are completed.

A team of Shell investigators was aboard the platform yesterday looking into the incident. A team of investigators from the Department of Energy returned from the platform yesterday morning.

The rupture of the vessel led to an escape of gas that triggered the platform's automatic shutdown system, in which oil and gas production was halted, deluge pumps were activated, and platform workers were called to muster stations for possible evacuation.

Full restoration of the Fulmar field production system, which also services the Auk and Clyde fields, is unlikely to take place until the summer weather allows for the completion of offshore engineering work. The fields were shut down when a floating oil collection vessel broke loose.

Occidental Petroleum, which operates the pipeline system that serves fields in the Piper Alpha area, said that production at the Tartan field, operated by Texaco, would be possible by the end of this month. The Occidental-operated Claymore field was expected to go into production at the end of March.

Top consulting engineers to merge

By Our Construction Correspondent

TWO OF Britain's leading consulting engineers Mott Hay & Anderson and Sir M. MacDonald & Partners have merged their worldwide operations to enable them to compete more strongly for privately financed infrastructure projects.

The move announced yesterday makes Mott MacDonald Britain's second largest consulting engineer behind Ove Arup. Mott MacDonald had a combined fee income of £73m last year and is at present working on projects with a value of almost £7bn. Ove Arup is thought to have earned fees of more than £80m last year.

Mr Jeffrey Turnball, chairman of Mott MacDonald said: "Widening our technical and financial base means we will be well placed to respond to new iniatives in privately funded developments.

"This could mean new links with contractors, developers and finance houses and even direct investments in some projects."

Mott MacDonald is currently considering two schemes, in Indonesia and Malaysia, where it might take a small equity stake in order to get the projects off the ground.

The firm also intends to expand its mainstream consulting engineering operations into growth areas like project management bringing it into direct competition with large international contractors .

It says current demand, particularly for large construction projects is for "one-stop" consultancy and management services.

Mott Hay Anderson founded in 1902 has specialised mostly in developing tranport systems and is currently working on engineering design of the British section of the Channel tunnel.

About three quarters of Mott's fees of £46m last year were earned in the UK. Overseas projects have included work on the Melbourne underground rail loop, the Bilbao metro, tunnels, bridges and water and sewerage contracts in Hong Kong as well as contracts in Africa, Saudia Arabia Chile, Denmark, Turkey and in Singapore for the Mass Rapid Transit System.

MacDonald founded in 1922 is best known for its work in developing irrigation, water and sewerage and hydro-electric systems in developing countries, One of the firms earliest projects was raising the hieght of the Aswan Dam. It earned almost 80 per cent of its fees last year from overseas projects.

Mott MacDonald employ more than 2,350 staff worldwide and operates in more than 70 countries.

Construction's cosy world shrinks

Andrew Taylor looks at a keener market in the building industry

IT IS NOT only London's skyline, littered as it is with large cranes, that is changing. The introduction of new building techniques has led many sections of the construction industry to reconsider their traditional roles.

Demarcation lines between contractors, architects, consulting engineers and other construction industry professionals seem likely to become more blurred as firms seek to broaden their range of skills and compete in different areas.

Mott Hay & Anderson and Sir M MacDonald & Partners say their decision to merge, creating Britain's second largest firm of consulting engineers, was prompted to a large degree by changing attitudes towards the financing and management of private and public construction in Britain and overseas.

The future of international consulting engineers lies with fewer, larger, financially stronger firms providing a broader range of technical and geographical services, they say.

Mr Roy Stoner, vice-chairman of the merged Mott MacDonald firm, says: "It may not be sufficient to provide a design service for a fee as we have done in the past."

He adds: "Arranging finance, assembling development consortia and providing the broad range of management and technical skills to lead a project is likely to become a more important part of our business."

Mott MacDonald is currently considering taking equity stakes in two privately-financed build-operate-transfer schemes in south-east Asia.

"The great 19th century engineers such as Telford and Brunel not only designed and innovated projects, but also raised the finance and managed the construction. Consulting engineers, if they are to remain at the forefront of development, must regain that entrepreneurial spirit," says Mr Stoner.

The really dangerous position to occupy is the middle ground between large multi-disciplined operations, providing a "one stop" service of finance and project management, and smaller specialist firms which will continue to be needed for specific skills or local knowledge, says Mott MacDonald.

Competition for the likes of Mott MacDonald will come from international contractors, some of which are rapidly gaining experience in raising private finance for infrastructure projects, such as the Channel tunnel and a toll-bridge to be built by Trafalgar House over the River Thames at Dartford, east of London.

Other construction industry professionals, including other consulting engineers and some architects, are also looking very closely at the kind of services they will provide.

Eighteen months ago, Freeman Fox and John Taylor – two other British consulting engineers – merged their worldwide operations to create Acer Consultants.

There are likely to be other mergers among professional firms seeking a chance to win domestic and international contracts, according to Mott MacDonald.

There are several reasons why this should be. Opportunities to win international orders have fallen substantially since oil prices collapsed at the beginning of the 1980s.

Developing countries have also been evolving their own construction industries. These companies have been competing domestically and internationally for a reduced volume of overseas work.

Since 1982 the value of international contracts involving British engineering consultants has fallen from just over £53bn to £31bn in 1987, according to the Association of Consulting Engineers.

Public authorities, many of which are weighed down by massive debts, increasingly want private companies to provide a complete construction package, including assistance in arranging finance and providing management and training for the completed project.

Privatisation of large parts of British industry has also opened avenues for UK construction companies, which are now considering plans for raising private finance to build power stations, hospitals, prisons and to supply water.

"The Government's encouragement of private financing has created a keener market awareness and a move towards packaged design, construct and finance deals which will provide valuable experience in other countries now starting to go down the privatisation route," says Mott MacDonald.

Award of North American-style construction management contracts for large-scale office developments in British cities may also contribute to a polarisation within the construction industry, seperating those who have a broad range of skills from specialist subcontractors that do building.

Open competition on fees, demanded by the Government for public sector construction contracts and a proposal by the Association of Consulting Engineers to allow its members to advertise has helped add to the mood of change.

The decision by Japanese contractors to establish in Britain and the arrival of several leading US project managers who have established joint ventures with British contractors illustrate how competition is likely to develop after 1992.

The rather cosy world which may once have existed for Britain's construction industry has already vanished.

Life group explains Equitable merger veto

By Nick Bunker

EQUITABLE LIFE, the UK's oldest life insurer, would have "dismembered and dismantled" one of its rivals, London Life, if the two had merged last year, London Life said yesterday in a revised document detailing the terms for its own proposal to merge with Australian Mutual Provident.

It says the Equitable would have stopped London Life taking on new business, disbanded its sales force, scrapped its branches, made major management changes and left the company "in a weakened state with a restricted range of alternatives."

The new document was posted to 66,000 London Life policyholders last night before a second extraordinary general meeting on January 27 to vote on alterations in its constitution to allow the AMP merger to proceed.

A previous egm last October voted for the merger, but was deemed invalid by the Court of Appeal because the meeting was improperly adjourned after chaotic scenes.

The new document contains additional information and aims to counter protests by dissident policyholders who objected to AMP as a merger partner and demanded reasons why London Life abandoned other options such as a merger with the Equitable.

The document says the Equitable asked for agreement on a merger in time for its own annual general meeting last May.

"The proposals did not provide any reasonable opportunity for policyholders to express a view before the implementation of major changes (for example, dismantling the sales force)," it says.

"The Equitable's proposals implied a dismemberment of the London Life business."

Mr Barry Sherlock, the Equitable's general manager, said yesterday that the London Life document "very accurately stated" the basic principles of the Equitable's proposals.

Yesterday's document also reveals that in the first nine months of 1988 London Life's new business fell 29 per cent.

ACCOUNTANCY COLUMN

Guideline reports put standards in the frame

By Richard Waters

THE UK's accounting system is taking a bit of a pasting at the moment.

First came a report from the International Accounting Standards Committee (IASC), agreed last autumn and to be published later this month. This proposed a number of amendments to international accounting standards to make the financial performance of companies in different countries more comparable.

Several UK accounting methods, most of them unfamiliar to the rest of the world, were thrown overboard in the process.

This week came a second thumping report, this time from David Solomons, a former professor at the Wharton School of the University of Pennsylvania.

Prof Solomons had been commissioned by the Institute of Chartered Accountants in England and Wales to develop some broad guidelines on which accounting standards could be based and his report had been eagerly awaited by the Accounting Standards Committee, among others.

Conceptual frameworks of this type are all the rage at the moment. Countries like the US and Australia have developed them recently, and the IASC is currently producing its own version.

Supporters claim that, by establishing basic agreed principles, frameworks make it easier to reach agreement on more complex accounting matters.

For instance, if everyone agreed on Prof Solomons' definition of "asset" it would be far easier to tackle the problem of off-balance sheet finance. An asset would be anything "incontestably controlled" by a company which is expected to yield future economic benefit. It follows that anything which meets this broad definition but which has been kept out of a balance sheet artificially should be brought back in.

However, Prof Solomons, rather than simply outlining the ground rules, goes on to relate them to specific accounting issues. It is here that he subjects the UK's accounting system to further bludgeoning.

The main aspects with which he takes issue are the way British companies account for deferred taxes, pension costs, leases and contingent liabilities.

British companies only provide for deferred taxes if they believe they will have to pay them in the future.

This differs from practice elsewhere, for instance the US, where companies are often forced to set aside huge amounts to meet potential tax liabilities.

Prof Solomons says that British companies should follow the US method. Whether or not a liability is expected to be paid in the future is not a sound basis for determining whether or not it exists, he argues.

On company pension plans he says that they should appear in the balance sheet if the company exerts control over the appointment of trustees and if the assets in the plan could be moved back to the company.

The framework is not accepted in all quarters, even though it attempts to establish only the most general ground rules

The UK's most recent accounting standard, adopted last year, requires companies to show only the effects of their pension plans on their income.

Some types of liability, which in the UK can be defined as contingent liabilities and disclosed only in notes to a company's accounts, should be recognised as actual liabilities and recorded in the balance sheet, he argues.

This general observation has a knock-on effect on how companies account for leases. The current distinction between finance leases (which have to appear in companies' balance sheets) and operating leases (which do not) is wrong, says Prof Solomons.

A more reasonable test of whether a lease should appear is whether it runs for more than half the expected life of the asset concerned. This test would catch finance leases which have been dressed up as operating leases to keep them out of companies' balance sheets.

He also finds minor faults in a number of other accounting standards. However, he does not stop at particular accounting practices in use in the UK. He also argues strongly for current cost accounting (CCA), adding to the growing stack of academic reports which take this view.

The accountancy profession, which still remembers the mauling it received over its last CCA effort – statement of standard accounting practice 16 – will not be rushing to reopen the debate on this issue, but support for CCA in a heavyweight report of this kind will do the cause no harm.

One UK practice that wins Prof Solomons' approval (although it was shunned by the IASC) is the ability of companies to write off goodwill against their reserves. This is because goodwill, although it meets the definition of an asset, cannot be "measured and verified with reasonable certainty" and so should not appear in companies' accounts.

He disagrees, however, with the fashion for valuing intangible assets such as brands. These assets are usually too difficult to identify separately but are tied up closely with all the other components which make up goodwill.

These are the contentious accounting issues which emerge from the framework. They are not the only subjects which will keep accountants arguing over the coming months: the framework itself is likely to be contentious.

Prof Solomons at the outset distinguishes between two systems of assessing profits (or losses).

The first, which is familiar in the UK, sees profit as the difference between revenues earned during a period and the expenses associated with those revenues.

The second method sees profit as the change in the net worth of an organisation over the period.

Prof Solomons holds that the second is the more useful figure. What readers of accounts really want to know is how much wealthier a company is at the end of a year than it was at the start. This should include changes in the values of its assets, as well as simply the income earned from transactions.

He argues that the other method of assessing "profit" is too vulnerable to income smoothing (which perhaps accounts for its popularity in countries like the UK).

Critics of the Solomons approach claim that it has one fatal flaw. It seeks to show the change in value of a company, but leaves out one of the key elements in that calculation: goodwill.

One critic said: "It is impossible to derive a profit figure from a block of bricks where the top brick, and the most variable one of all, has been left off."

According to this view, only the stock market can attempt to measure the change in value of a company; accountants should content themselves with the more modest task of measuring its transactions over a year.

This means that revenue and expenditure figures are the only reliable ones. Balance sheets take a back seat – they become "a dumping ground for costs that have not been used up," to quote one critic of the Solomons approach.

Finding a common position from which all accountants can start is not as easy as it is painted in some quarters.

ACCOUNTANCY APPOINTMENTS

Finance Manager

ASPECT

London SW1 — *c. £30,000 + car & benefits*

Our client, Aspect Telecommunications, is a U.S. company with its headquarters in California. The company provides business telecommunications systems and has a strong presence in the market for automatic call distributors. Aspect is now poised to capitalise on the exciting opportunities available in the U.K.

Reporting to the Vice President Finance and Administration in the U.S., and acting as a business partner to the Managing Director in the U.K., this new position offers the opportunity to influence key business decisions. Responsibilities will include managing the external preparation of accounts, analysing financial forecasts and budgets, and acting as liaison to the company's bankers.

You will be a Qualified Accountant (preferably ACA), with excellent communication skills and the ability to make an effective contribution at senior management level. You should have acquired experience of financial planning and, to a lesser extent, cash management within a multi-national (ideally U.S.) company. Exposure to American business practice and to personal computers would be an advantage.

Please reply to Christopher Evans in strict confidence with details of age, career and salary progression, education and qualifications, quoting reference 5190/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

Finance Manager

NEAR LONDON, c£30,000 PACKAGE + CAR

One of the UK leaders in a highly competitive service and leisure sector is creating a new divisional structure which will allow for further organic and acquisitive growth. The division, with a turnover of around £16 million, will be based at a new office to be created in the Northern or North Eastern Home Counties.

This extremely challenging position carries total responsibility for the financial management of the division. Obviously early priorities will be to set up and organise the accounting function, develop systems and establish the controls for cash flow and profit monitoring. Monthly reporting will be tight in what is a fast moving, cash generating business.

A qualified accountant, you will probably be aged in your early 30's. Already experienced in departmental management and systems development, your experience will ideally have been gained in a service sector environment. Promotion prospects are excellent in a company where accountants have been remarkably successful in moving into general management.

Résumés please, including a daytime telephone number and an indication of present salary, to David Owens, Coopers & Lybrand Executive Resourcing Limited, 43 Temple Row, Birmingham B2 5JT quoting ref. D316.

Executive Resourcing — Coopers & Lybrand

BARBER &CO — CHARTERED ACCOUNTANTS

GENERAL PRACTICE AND MUCH MORE
COVENT GARDEN £20,000 NEG.

A well established four partner practice, Barber & Co. excels in the strength of its client relations and consequently acts on a number of investigative type assignments for a variety of industries. Currently expanding this side of the practice, they seek an experienced senior to assume responsibility for senior level general practice work and also consultative projects, working closely with the partners. An interesting and unusual position, it offers qualifieds the scope for complete involvement in an informal, quality practice, with opportunity for full career development. Strong personality is essential.

For further information contact Accountancy Personnel, 26 Widegate Street, Middlesex Street, London E1 7HP. Tel: 01-247 3218.

Brake Bros. (Frozen Foods) Ltd.

MANAGEMENT ACCOUNTANT
ASHFORD £NEG+CAR+EXCELLENT BENEFITS

Brake Bros is the UK's most successful independent frozen foods distributor to the professional caterer. As a result of their continued expansion, they are seeking to recruit a qualified or near qualified accountant. Reporting to the Senior Accountant, key responsibilities will include: budgetary control, cash flow forecasting and preparation of management information. This is a high profile role which will appeal to a dynamic young professional seeking a challenging and demanding career opportunity.

For further information contact Accountancy Personnel, 1st Floor, 30 North Street, Ashford, Kent. TN24 8JR Tel: 0233 610267

W·I·CARR — Banque Indosuez Group

RECENTLY QUALIFIED ACCOUNTANT
CITY AREA £COMPETITIVE

International stockbroker wishes to strengthen its financial team by appointing an additional accountant to assist the Group Accountant with the increasing diversity of work. Ideally, they are seeking a recently qualified ACA. Areas of responsibility will include: Preparation of statutory accounts: regulatory returns: group consolidations: and VAT and Corporation tax. You should be computer literate and familiar with Spreadsheets (Lotus 123). This challenging role offers a competitive salary, fringe benefits and excellent prospects of advancement. Ref JWS 1.

For further information contact Accountancy Personnel, 63/65 Moorgate, London EC2R 6BH Tel: 01-638 3955

KPMG Peat Marwick McLintock

CORPORATE TAX SPECIALIST
BRADFORD £NEGOTIABLE

Chartered Accountants with a passion for excellence are offered a uniquely stimulating environment and every encouragement to realize their full potential within the tax department of a progressive international firm.

As a key member of an expanding and thriving department you will develop your skills as a corporate tax specialist, handling a varied portfolio of clients—from large family groups to PLCs. Attractive package, including assistance towards ATII where necessary.

For further information contact Accountancy Personnel, Manor Buildings, 2 Manor Row, Bradford BD1 4NL. Tel: 0274 731666

WHY COMMUTE...

...When the local market has so much to offer!

Our highly trained Regional PUBLIC PRACTICE controllers have access to the widest range of opportunities throughout The Home Counties.

Tax Manager–Sussex–Top 8 Practice £25,000 + Car–Contact 01-686 4686.
Partner Designate–Richmond–Small, expanding firm £25-30,000 + Car + Bonus–Contact 01-549 8460.
Tax Consultant–Basingstoke–Dynamic Practice–to £40,000–Contact 0703-636111.
Assistant Manager–St Albans–International Practice–£25,000–Contact 0923 228332.
Finalist–Sevenoaks–Expanding Practice–Full study support–£14,000-18,000–contact 0233 610267.
Audit Manager–Reading–Top 10 firm–£26,000 + Car–Contact 0753 35939.

Enjoy highly competitive rates of pay. ✱ More leisure time and freedom from: Increased fares ✱ Frozen Points ✱ Delayed trains.

IMPROVE THE QUALITY OF YOUR LIFE WITHOUT DAMAGING YOUR CAREER!

Accountancy Personnel
Placing Accountants First
Hays
A HAYS PERSONNEL SERVICES LIMITED COMPANY

AMBITIOUS YOUNG ACCOUNTANT

London — **To £35,000 + Car**

The imminent flotation of our client, a sector leader in the advertising industry with an annual compound growth running in excess of 35%, necessitates the appointment of an accomplished graduate ACA aged 26-34.

This high profile appointment gives full day-to-day financial responsibility, including timely management reports, interpretation of results and the enhancement of systems. The successful candidate will also be expected to contribute significantly to the organisation's flotation, acquisition and European expansion programme.

Essential requirements for this outstanding and influential career opportunity are commercial post qualification experience, strong interpersonal skills, computer literacy and proven staff management ability.

For further information please contact **Malcolm J. Hudson.**

HUDSON SHRIBMAN
VERNON HSE·SICILIAN AVE·LONDON WC1A 2QH·TEL: 01-831 2323

NORTHUMBRIA

Group Financial Controller
Newcastle upon Tyne - Package Negotiable circa £25k+

Proudmutual Limited, formed in 1987, is a rapidly growing and successful Transport Holding Company, based in Newcastle upon Tyne.

Further growth is expected in 1989 and a Group Financial Controller with Board potential is now required to be responsible for the finance function of operating subsidiaries at Group level.

Reporting to the main Board through the Group Finance Director, the successful candidate will be a good manager and have "hands on" experience of consolidation work, together with a knowledge of accounting for acquisitions, disposals and mergers.

Career potential is excellent and geographic mobility will enhance the prospect of a Board appointment within two years.

The remuneration package will include the usual large company benefits and initially be negotiable circa £25,000+. Equity will be made available on a performance related basis.

Candidates who must be qualified ACA or ACCA and aged 25-35, should forward full C.V. by 16th January 1989, to:–

Mr. D. S. Simon *Group Finance Director*, Proudmutual Limited, 6 Portland Terrace, Jesmond, Newcastle upon Tyne NE2 1QQ

Kentish bus & coach

ANSVAR Insurance

Accountant

Eastbourne

A worldwide mutual insurance group for those who abstain from alcohol. As a result of rapid growth, the UK company, based in Eastbourne, wishes to appoint a qualified accountant to deputise for the Assistant General Manager (Finance) with a view to succeeding him on his retirement. Tasks will include preparation of accounts, oversight of investments and improving the quality and interpretation of management information.

Candidates, aged c. 27-35, must be qualified accountants, ideally familiar with accounting for the insurance industry. They should have the management skills and personal potential for playing a major role in the continued expansion of the company. They must be non-drinkers and subscribe to the philosophy of the company. An attractive salary and benefits (including subsidised mortgage) will be negotiated.

Please apply to: Sir Timothy Hoare, Career Plan Ltd., 33 John's Mews, London WC1N 2NS, tel 01-242 5775. Fax No. 01-831 7623.

Career plan LIMITED
Personnel Consultants

BRITISH CHANNEL ISLAND FERRIES

FINANCIAL CONTROLLER
c. £25,000 + Car + Benefits

We are the leading ferry operator to the Channel Islands and seek a Financial Controller with responsibility for financial systems and management accounting. The position reports directly to the Managing Director.

Applicants should be qualified accountants with a commercial outlook and have experience in a management role. Familiarity with microcomputer modelling techniques in essential and a knowledge of the travel industry would be an advantage.

Applications in writing, enclosing a C.V. to:
Mrs D Hall, Personnel Dept.,
Fairfield House, Kingston Crescent,
Portsmouth PO2 8AA.

Treasury Manager

circa £26,000 + benefits
Ipswich, Suffolk

In preparation for privatisation, Eastern Electricity need to extensively develop their treasury activities. As a result, a new position has been created for a Treasury Manager. Eastern Electricity is the largest of the twelve Area Electricity Distribution Boards, with an annual turnover of £1.5 billion.

Reporting to the Head of Corporate Finance, the successful candidate will be responsible for all central cash management activities, participate in short and long term investment and financing decisions and take on the management of interest exposure. He or she will also be required to show considerable initiative in the development of the new Treasury Section.

Ideally, you will be a graduate with previous treasury experience and/or a qualified accountant with broad financial management experience within industry or commerce and aged 26 to 35. The post will be located at Eastern Electricity's head office situated in a pleasant environment on the outskirts of Ipswich. Generous relocation assistance will be given where necessary.

Career opportunities within Eastern Electricity are excellent and the requirements of treasury are expected to increase substantially over the next few years.

Please apply by forwarding a full CV, stating current salary to: David Parsons, Personnel and Training Manager, Eastern Electricity, PO Box 40, Wherstead, Ipswich IP9 2AQ, by 20th January 1989.

An equal opportunity employer

eastern electricity

Finance Director

c.£30,000 + Benefits — *SE London*

This is an exceptional opportunity for an enthusiastic professional to join a medium-sized services company within a substantial and rapidly growing plc. It now seeks a 'hands-on' Finance Director to work closely with the Managing Director in ensuring the profitable growth of the company.

In addition to the normal responsibilities of financial controls and management information systems development, the Finance Director must have the tenacity and creative ability to provide a significant input in aiding the commercial decision making and to contribute directly to the growth of the Company.

The successful candidate will be a qualified accountant, aged 28-35, who can demonstrate strong communication and leadership skills as well as the ability to develop and control management information systems.

Benefits will include a company car, a profit related bonus scheme and a share option scheme.

Please reply in confidence with a comprehensive curriculum vitae, including details of current remuneration and daytime telephone number to Colin Welch, PER Ltd, Rex House, 4-12 Regent Street, London SW1Y 4PP. Tel: 01-930 3484. Fax: 01-930 0045.

PER
Britain's Largest Executive Recruitment Consultancy

FINANCE DIRECTOR

London — **c £35,000 + car + share options**

A successful business which is well established in niche service industry sectors seeks a Finance Director to strengthen its management team. The group has an impressive client list and its record of growth in both turnover and profits is excellent.

The successful candidate's immediate priority will be to improve the timeliness and quality of management information. The Finance Director should also be capable of guiding the group through a flotation in the medium term.

Applicants must be qualified accountants, preferably in their thirties, with experience of computers and foreign exchange dealings. Combining imagination with thoroughness, they should be skilled in exercising effective budgetary control in a fast-moving environment. A background in a media related business would be an advantage but is not essential.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref. 2997/FT, to Wendy Hargreaves, Executive Selection Division. Since applications will be forwarded direct to our client, please indicate any companies to whom you do not wish to apply.

Touche Ross
Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB
Telephone: 01-353 7361.

مكذا من الأصل

FINANCE MANAGER

CIRCA £26,500 PLUS CAR

INTERNATIONAL ENTERTAINMENT

Our international client is one of the foremost names in the world of entertainment with an annual turnover in excess of $800 million. They are currently involved in developing new exciting projects both within the UK and many of the 29 other countries in which they operate.

A high-profile company with an impressive track record, they are currently seeking to recruit a Finance Manager to work within their International Headquarters based in London's West End.

In addition to the supervision of a small HQ Accounts Department and the Control of the Group Sterling position, emphasis is placed on the involvement in ad hoc project-based work to assist the Group Treasurer in his activities worldwide.

An accountant, with 2-3 years' sound post qualified experience, you will possess first class inter-personal skills and a flexible and enthusiastic approach to work.

There's an attractive package which will include fully expensed car, medical insurance cover and company pension scheme.

Please apply in confidence, enclosing full CV and daytime telephone number to Loraine Lee, MHG Recruitment Advertising, 60 Berwick Street, London W1V 3RA.

MHG
RECRUITMENT ADVERTISING

Group Financial Controller

c. £30k + bonus and executive car — Essex

Our client is a publicly quoted, multi-national group with an expanding and diversified portfolio of industrial activities and whose annual turnover exceeds £200 million.

Reporting to the Finance Director, the Controller will be responsible for board level management reporting, statutory consolidations, the group treasury and taxation functions and for potential acquisition studies.

The successful candidate will be a qualified accountant with a sound technical ability, strong communication skills and a "hands-on" approach.

The total remuneration package will be competitive and is designed to attract and motivate a high calibre professional.

Confidential Reply Service: Please write with full CV quoting reference M617 on your envelope, listing separately any company to whom you do not wish your details to be sent. CV's will be forwarded directly to our client who will conduct the interviews. Charles Barker Human Resources (Midlands) Limited, Charles Barker House, 93 Broad Street, Birmingham B15 1AU.

CHARLES BARKER HUMAN RESOURCES *Confidential Service*

Finance and Administration Director

East Scotland — c. £30,000 + Car

Our client is a nationally known brand leader in its specialist f.m.c.g. field and an important part of a major prestigious international Group. It is going through an exciting period of redevelopment and rejuvenation.

As part of this process we are looking for a young and talented Finance and Administration Director with the ambition and potential to take advantage of future development opportunities in the Group.

Reporting to the Managing Director, you will be a key member of the small top management team. You will be responsible for corporate and financial planning, accounts, credit control, computing and key sales support and customer service functions.

A qualified accountant, with good computer experience, you must have a track record of achievement at management level. As important is an outgoing and market-orientated approach, with a constructively aggressive attitude to financial control and to moving the business forward at a strategic level.

Total remuneration package will be around £30,000 p.a. plus an executive car. Benefits include subsidised private medical health insurance and an excellent non-contributory pension.

If necessary relocation assistance to this very pleasant location will be provided.

Please write, in confidence, with full details These will be forwarded direct to our client. List separately organisations to which they should not be sent. B G Woodrow, ref. BGW/B/1.

MSL Advertising, 32 Aybrook Street, London W1M 3JL.

MSL Advertising

FINANCE MANAGER

C £21K - CHESTER

We are looking for a qualified or part-qualified Accountant (CIPFA, CIMA or CICA) to take up the high-profile position of Finance Manager in our Senior Management team. Based in the historic City of Chester, this post offers a benefits package including company pension, relocation expenses and performance bonus.

Responsibilities include managing the accounting systems of a regional unit of a National distribution organisation. The unit has 1900 employees and an annual turnover of £22m. The successful candidate will have a special blend of Accountancy and Management Skills and will be in charge of a team of about 25 staff.

If you have the foresight, organisation, and determination to meet this challenging post, send you CV to Sue Dale at PO Box 150 Chester CH1 3QH by 15 January 1989. We are an equal opportunities employer.

Treasury Manager – Dublin Financial Services Centre

Lawson Mardon Group, the International packaging and printing organisation with extensive European and North American operations, has a requirement for an individual in Dublin whose focus will be on its Treasury activities in Europe. The Treasury Manager will be responsible for cash management, short-term borrowing activity, foreign exchange and interest rate management.

Candidates with the ability to perform effectively in a multi-national environment requiring the exercise of independence and initiative should possess:-

- **A First Degree and/or Professional Accounting qualification.**
- **A minimum of five years' progressive experience following qualification.**
- **The potential to make a significant contribution to a matrix Finance structure in a fast-moving organisation meeting the demands of the international market-place.**

Applications should be submitted in writing, with full education, career and recent salary and benefits details to:-

T. P. E. Machin
Employee Relations & Management
Development Manager, Europe
Lawson Mardon Group
European Office
6 Hill Street
London W1X 7FU.

LAWSON MARDON GROUP

YOUNG ACCOUNTANT with FINANCIAL FLAIR

City — To £27,000 + Bonus + Car

Our client is one of the world's premier financial services organisations. Currently it is reorganising its reporting structure and this has created a unique and influential role for an ambitious and communicative qualified accountant aged 25-34.

As a member of the Group Financial Director's team, the successful candidate will be responsible for monitoring and commenting on the performance of operating companies both in the UK and overseas. Some international travel is envisaged.

This high profile appointment offers an excellent insight to the workings of a very successful group together with scope for continued career development in a professional and progressive environment.

For further information please contact Malcolm J. Hudson.

HUDSON SHRIBMAN
VERNON HSE·SICILIAN AVE·LONDON WC1A 2QH·TEL: 01-831 2323

INTERNATIONAL GAMING AND LEISURE GROUP

requires

Young Financial Controller

North London/Herts — Salary £20,000 negotiable plus car

Our client, an expanding private group of companies, seeks a qualified chartered accountant with commercial experience to undertake a key role in Head Office financial control. Ideally aged 27-30, you will develop effective management reporting systems and assist the Directors in highlighting and solving commercial problems in the UK and international sector.

Applicants should send a full CV, quoting current salary to
Mr S W Evans, William Evans & Partners
49/51 Bedford Row, London WC1V 6RL

UNIVERSITY OF YORK

Appointment of Finance Officer

The present Finance Officer, Mr Ray Bradley, retires in October 1989 and the University is seeking to appoint his successor to take up the position from that date.

The University of York was founded in 1963 and has established high reputation for academic excellence. It is organised on a collegiate basis and there are currently 3,150 undergraduate and 900 post-graduate students. The City of York and the surrounding countryside are particularly attractive and there is excellent schooling in the area.

The Finance Officer, reporting directly to the Vice-Chancellor, leads an experienced, high-quality management team and is responsible for the financial management of the University, including financial planning, budgets, forecasts and financial controls and systems. The Finance Officer is expected to be innovative and to exercise initiative in meeting the rapidly changing financial situation now affecting Universities.

Candidates should preferably be graduates and will have a recognised accounting qualification with substantial experience at a senior level in financial management, although not necessarily in education.

Salary will be negotiable within the professional range.

Further particulars are available from the Registrar, University of York, Heslington, York YO1 5DD. Applications will close on 31st January 1989.

INTERNATIONAL APPOINTMENTS

With the imminent establishment of the

GERMAN FUTURES & OPTIONS EXCHANGE
- Deutsche Terminbörse (DTB) -

the DG-BANK *Deutsche Genossenschaftsbank*, a leading member of the planned institution can offer first class opportunities to

Qualified Futures and Options Traders

as well as to

Experienced Settlement Staff

Successful candidates will be aged 25-35, with a dedicated and flexible approach to work and must possess the ability to communicate effectively within a small team.

Applications should be made by submitting a Curriculum Vitae (stating personal details and qualifications) work experience, salary and date of entry to:

DG BANK, Personnel Department, P.O. Box 100651, Am Platz der Republik, D-6000 Frankfurt/Main.

DG BANK
Deutsche Genossenschaftsbank

COMPANY ANNOUNCEMENTS

We are pleased to announce that

MICHAEL COTTRELL

has joined our London Office.

RUSSELL REYNOLDS ASSOCIATES, INC.
Executive Search Consultants

24 St. James's Square, London SW1Y 4HZ

NEW YORK BOSTON CHICAGO CLEVELAND DALLAS FRANKFURT HONG KONG HOUSTON LONDON LOS ANGELES MADRID MELBOURNE MINNEAPOLIS/ST. PAUL PARIS SAN FRANCISCO SINGAPORE STAMFORD SYDNEY TOKYO WASHINGTON DC

Evans Dood & Bannatine are pleased to announce that a number of former partners of Sears Tooth & Co have joined them with effect from 1st January 1989.

The name of the firm has changed to Evans Dood Tooth and the partners are Geoffrey Dodd, Raymond Tooth, Mahmood Ahmed, James Wilson, James Stott, John Errington, Jeremy Hardison, Geraldine McAleese and John Gibson.

TRADITION (UK) LTD wish to announce the appointment of Mr R L Tonkin and Mr J Needham as Directors of the Company with effect from 1 January 1989.

Mr Bob Anderson has joined Cobbold Roach's Westminster office. He was previously with James Capel.

CLUBS

Eve has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

COMPANY NOTICES

NOTICE TO CREDITORS TO SEND IN PARTICULARS OF DEBTS OR CLAIMS

Name of company: Belmanton Limited (formerly LRT Bus Engineering Limited)

Company number: 1900908

NOTICE is hereby given that the Creditors of the above-named Company are required on or before the 21st day of January 1989 to send in their names and addresses, with particulars of their Debts or Claims, and the names and addresses of their Solicitors (if any), to Stephen S. James of Peat Marwick McLintock, 1 Puddle Dock, Blackfriars, London EC4V 3PD, the Liquidator of the said Company, and, if so required by notice in writing by the said Liquidator, are by their Solicitors or personally to come in and prove their said Debts and Claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

This notice is purely formal and all known Creditors have been, or will be, paid in full.

Dated: 21st December 1988

Signature of Liquidator: S. S. James

COMPAGNIE GENERALE D'ELECTRICITE - CGE
FRF 3,168,000,000 convertible bonds due 1998

The bondholders are informed that the COMPAGNIE GENERALE D'ELECTRICITE is launching on January 3rd, 1989 a new issue of FRF 3,168,000,000 convertible bonds due 1998. The existing shareholders, including Ecu bondholders asking for conversion of their bonds before January 17, 1989, benefit from a priority period to subscribe in the proportion of 1 bond to 10 shares to the new FRF convertible bonds. Such priority will cease on January 17, 1989. Any application should be placed with the usual financial intermediary.

EULA INTERNATIONAL B.V.

Floating rate note issue of USD 25 million 1981/89. The rate of interest applicable for the six months period beginning 30 December 1988 and set by the reference agent is 9⅞% annually.

How customer crises led CU to act out a drama

Philip Rawstorne assesses a long-running insurance campaign

Over the past 10 years, Commercial Union (CU), the UK insurance group, has spent some £20m on television advertising, promising claimants that it would not "make a drama out of a crisis". Looking back on the campaign, Andy Welling, marketing manager, confidently states: "It is one of the best investments we ever made. We have got very big dividends from it."

That is not to say that advertising has insured CU against all the vagaries of its market. In a chequered decade, the group has slumped from pre-tax profits of £142m in 1978 to a loss of £73m in 1984 and has since rallied to estimated profits of £200m last year.

But in the UK, the theme of CU's advertising has remained constant – and, Welling claims, the company's faith in it has been well justified.

Back in 1978, CU was emerging from another difficult period. Its business was primarily tied to declining heavy industry and it decided to diversify more strongly into personal lines – such as household and motor insurance – and life assurance.

But an earlier decision to create a stronger consumer presence by opening a string of high street insurance "shops" had been reversed, and research showed that, although CU was one of the big five insurers, only 40 per cent of the public was aware of its name.

Brokers were mistrustful; they were upset by CU's high street move and wary of another marketing U-turn. And staff morale was low.

Doyle Dane Bernbach, the advertising agency chosen to devise a campaign that would improve this situation, returned with further bad news from its research into consumer attitudes towards the insurance industry.

People's only experience of insurance companies tended to be when they had a claim to make, and the experience was often one of frustrations and delays. But Bill Thompson and Susie Henry, then of DDB, persuaded the company to make its claims service the focal point of the advertising campaign. Other insurance companies at the time were promoting products rather than service.

Andy Welling, with Thompson and Henry, then began inquiries at CU branches throughout the country to find real-life claims stories on which to base the advertising. Demonstration of actual service, it was felt, would work better than a mere promise.

In 1979, the campaign opened with a £1.1m spend – 12.5 per cent of the total industry advertising expenditure that year – on a television commercial which featured a schoolteacher's red Volkswagen being crushed by a falling tree.

The advertisement claimed that CU had replaced the vehicle with exactly the same model within a week. In fact, it had done so within 48 hours – but research showed that such a claim would have been widely disbelieved.

Advertisements were placed in the national press to support the television commercial with more factual detail and to get the message home to brokers.

As the campaign opened, CU also began an internal programme to ensure that its staff maintained the quality of service expressed by Anton Rodgers, the actor, in the advertising's tag-line: "We won't make a drama out of a crisis."

A complaints procedure was set up to deal quickly with any lapse of service standards; and about 1,000 claimants a month have since been interviewed to monitor the settlements process, which is then reviewed at director level. Over 90 per cent currently register satisfaction.

Another 11 television commercials since 1979 – showing, among other things, the CU settling claims for damage caused by burglars, a rampaging dog, an exploding tin of petfood put in an oven by a child, and for a car that fell over a cliff – have now made the CU tag-line a popular catch-phrase.

When Thompson and Henry left DDB in 1982 to establish a new agency, Waldon Allen Henry & Thompson (WAHT), CU moved its account with them. "Having got a good advertising idea, it was important to maintain consistency over a long period," says Welling. "We have always been ready to change, if necessary. But our research shows it is as effective as ever."

The first evidence of that effectiveness, Welling claims, quickly showed up in research into public awareness of Commercial Union. "It has risen from 40 per cent in 1979 to around 80 per cent now, a level we can maintain with just a steady drip of television advertising rather than heavy four-month bursts."

Some eye-catching posters were used in support in London in the pre-Christmas period, but press advertising was dropped after the first year or two, and CU's advertising expenditure in 1987 of £3.9m was only 6 per cent of the industry total of £64.5m.

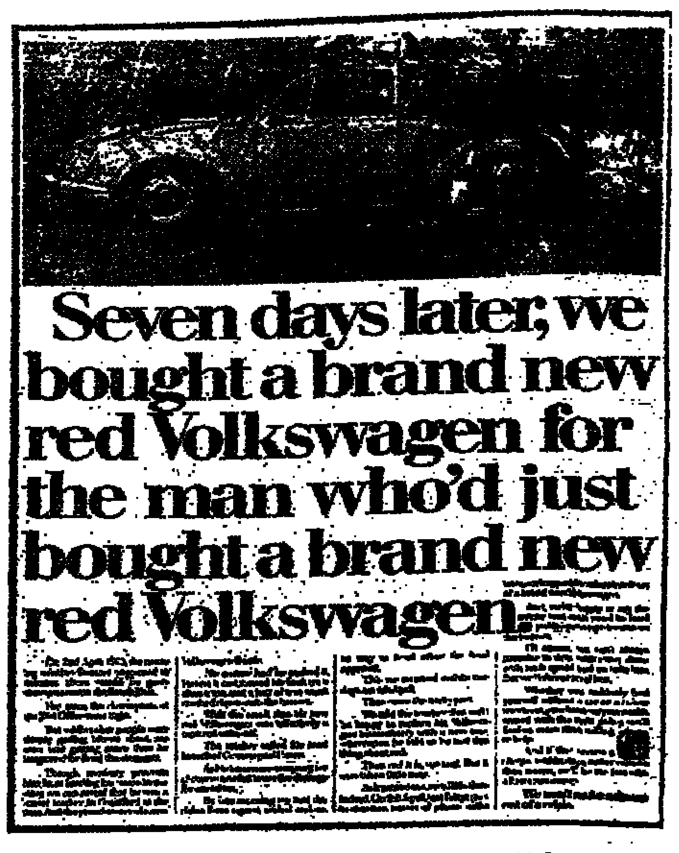
Independent tracking studies by market researchers, Millward Brown, show that 60 per cent of all people who remember CU's advertising recall the slogan. The next highest slogan recall for an insurance company is 9 per cent for the Prudential.

It has helped, Welling says, to improve relations with brokers and erase suspicion of CU's direct-selling activities despite a progressively greater investment in that form of marketing; and, though it is difficult to quantify the effect on CU's staff, Welling believes that employees have responded to the standards of service set by the advertising.

It is also difficult to measure the advertising's direct effect on business. "But as awareness of the company rose, so we began to see a strong growth in business, especially in the personal lines which we were seeking to expand," Welling states. "We now have a much better balance of business, and renewals have run at a very high level even when premiums have increased dramatically.

"The new retailers of insurance products – banks, building societies – are eager for CU to underwrite their products because of its established name."

"The advertising has provided a single point of reference for a vast product range," says Welling. "Through it, CU has gained a brand value which is attributed to every single product of the company."



The first ad in Commercial Union's campaign, which was intended to boost both customer awareness and staff morale

Why Thomson thinks Wales on Sunday has a sporting chance

Some time in the next few weeks the first Sunday paper to be published in Wales since the Empire News was closed 30 years ago will roll off the presses.

Wales on Sunday will join the cluster of papers already fighting for readers' attention and advertisers' revenue. The new paper will come out of the Thomson Regional Newspapers stable which already publishes the morning Western Mail and evening South Wales Echo in Cardiff as well as a chain of provincial newspapers from Aberdeen to Warrington.

Hope springs eternal in newspapermen's breasts, notwithstanding the costly failure of Eddie Shah's The Post (£6.5m lost after a mere 33 issues) and Bob Waterhouse's North West Times (£1.2m down after just 43 issues).

Robert Tyldesley, managing director of Western Mail and Echo, is convinced there is a market in Wales for something new. "Changing cost structures now make it possible for us to contemplate a new paper where perhaps even four or five years ago it simply would not have been on. New newspaper technology, allied to the growth in advertising revenue, make it quite feasible to launch a publication on what would previously have been thought a laughably low circulation," he says.

So yet another optimist is about to take to sea. The crew, which will eventually be 40 journalists strong, has started work this week producing pre-launch dummies. All that remains to be announced is the launch date itself. Here, Tyldesley is being coy. "Early this year" is as far as he will go, which means probably some time before Easter.

Two factors have coalesced to make the new paper a possibility. After years of running up nasty losses, the morning Western Mail has suddenly turned into a nice profit earner. This year it should make £1m (eight years ago it was losing as much) to add to the £3m contributed by its sister evening, the Echo.

Western Mail and Echo, a separate profit centre within TRN, should make £4m after taking redundancy payments into account (the staff has been reduced over the last couple of years from over 1,000 at its peak to the present 637).

At the same time, TRN itself has been looking to expand its activities and has become increasingly willing to back ventures that might have looked speculative just a couple of years ago. Last August it took the plunge with Scotland on Sunday published in Edinburgh, and followed with Sunday Life in Belfast in November.

Now the £1m investment necessary for Wales on Sunday, a paper that has been on Tyldesley's agenda sheet for some years, is available.

"We see Wales on Sunday as a three-year operation," Tyldesley says. "We do not expect to see a proper return until the end of year three, assuming that the advertising ratio [the ratio of space taken by advertising to total space in the paper] hits 20 per cent."

This is a low figure; the FT, for instance, seeks a 50-50 break. But the paper will have a high sports content and sport is notoriously a bad generator of advertising income. Management projections have been based on a circulation of 60,000, at which point it would be a significant earner. But Tyldesley claims the new paper would be viable on sales as low as 40,000.

Achieving the break-even point depends on how well the centre has targeted its potential audience. Here, Tyldesley and his colleague, John Humphries, editor of the Western Mail and editor-in-chief of the new Sunday as well, are spreading the net exceedingly wide.

Unlike Scotland on Sunday, launched into a distinctively upmarket sector as a look-alike for the Sunday Times, the Observer or the Sunday Telegraph, or Belfast's Sunday Life, a popular tabloid, Wales on Sunday has found its inspiration abroad.

Just as the Guardian adopted a "European" typographical facelift last year, Wales on Sunday has also looked across the Channel, in particular to France Dimanche for layout ideas. When it hits the newsstands it will be unique in Britain. The intention is to produce three papers in one. The front section, or jacket, will be a glossy full-colour 16-page tabloid printed initially outside the company but within its own premises within Thomson House when new machinery is installed in about two years' time. It will carry Saturday news on the front and the back page will have a Saturday sports picture.

Within this jacket, two more newsprint papers will be inserted. A 24-page tabloid sports paper will nestle next to a broadsheet newspaper varying in size, according to advertising, between 32 and 40 pages.

No other newspaper is produced in Britain in this way and Tyldesley admits the thinking behind the design is to cover the spectrum. Where Scotland on Sunday has gone for a distinctly ABC1 readership, Wales on Sunday wants the C2s and Ds as well.

Tyldesley says he is looking for something like the old Daily Express of the 1960s, a paper with a readership around the middle of the market but with a bias slightly below rather than above it.

The justification for this broad sweep, a strategy few new newspaper investors would contemplate, according to Humphries, is that "there are simply not enough readers in Wales at the upper end of the market to bring out a paper specifically aimed at them. So we have devised a product in three parts which will appeal to all sectors.

"Colour is particularly important. It is becoming increasingly accepted, and we decided to go for a high-quality-colour jacket, which meant printing on glossy paper. That is our lead-in to the rest. Sport is particularly important in Wales and we have placed great emphasis on it. But we are not going to take a parochial view with any of our stories – sport, news, lifestyle, the arts.

"We want to fight the competition eyeball to eyeball. We will be seeing the world from Wales, but with an international outlook. Wales on Sunday will help elevate the position of Wales in the national and international community."

A number of the nationals are already eyeing Wales but Tyldesley denies that Wales on Sunday will be a spoiler, the newspaper term used to describe something brought out purely to kill the opposition; an example was the short-lived Evening News, resurrected by Lord Rothermere's Associated Newspapers when Robert Maxwell launched his London Daily News as the capital's second evening paper. Once the Daily News had folded, Associated shut the Evening News. The move had been a costly venture but it protected the Evening Standard.

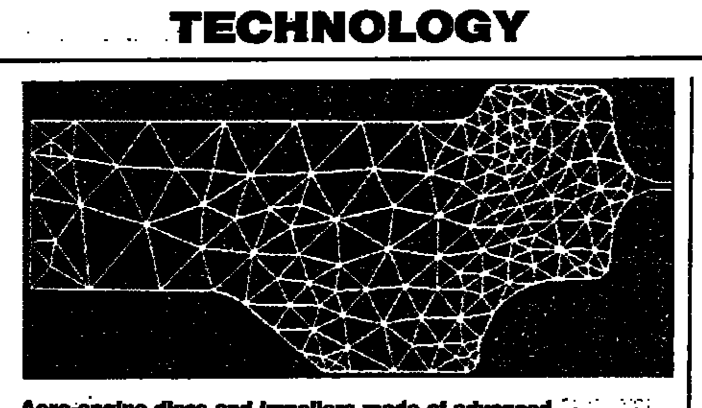
Tyldesley denies he has anything like this in mind even though the Sunday Express, the first to make a positive move, is attempting to print more Welsh stories in its editions sold in Wales. The Sunday Times already has a section specifically for Scotland and available only in Scotland and, like the Observer, is looking hard at Wales as a region.

If these papers bring out specifically Welsh sections they could endanger Tyldesley's profitability in Cardiff through eating into the advertising revenue that has helped make Western Mail and Echo so profitable.

He points to the way in which the Western Mail, in particular, has been developing. It is seeking to win a bigger share of the North Wales market, an area it all but withdrew from a dozen years ago because of high distribution costs. It has produced monthly glossy insets for sport, lifestyle and business. There is certainly an air of expansion about the Cardiff operation after years of fighting to contain losses. Wales on Sunday is seen as part of a philosophy of expansion rather than containment.

Anthony Moreton

TECHNOLOGY



Aero-engine discs and impellers made of advanced superalloys, forged isothermally at Doncasters' computerised forge. A computer model (right) predicts precisely how metal at 1,100 deg C will flow to fill the forging dies.

Massaging metal into shape

David Fishlock looks at the development of new forging techniques

If a blacksmith tried to forge these materials, all he would do is damage his anvil. That is what they say of the next generation of advanced materials for aero-engines at Doncasters Monk Bridge factory, a 210-year-old UK "smithy".

The aero-engines include the Eurojet EJ-200, under development by Rolls-Royce and its partners for the European Fighter Aircraft. Scheduled to enter service in the mid-1990s, such engines will have parts spinning at temperatures where steel becomes mushy.

With an eye to the needs of aero-engine designers in the 1990s and beyond, the West Yorkshire precision forging firm has been investing in forging technology. The aim is to shape parts from the most advanced superalloys (heat resisting alloys).

Its experience of "forging by computer" illustrates how manufacturing technology must march in step with materials development if a new material is to find a market niche.

Doncasters, part of Inco Engineered Products, a European subsidiary of the Canadian mining group, specialises in forging the aerofoil blades for gas turbines. It makes up to 2m blades a year from the toughest materials specified by military engine designers, at a forge within sight of Leeds Town Hall.

Douglas Wright, managing director, claims to have made blades for every aero-engine manufacturer outside the Comecon bloc. Rolls-Royce provides about half of his business.

A decade ago Doncasters set out to add to its repertoire the forging of discs, the "hubs" holding the blades in the engine. Discs are the most demanding of aero-engine parts. If a blade fails, the damage will be contained within the engine. It a disc fails, the engine – and perhaps the aircraft – will be a write-off.

To break into the business of making discs, a manufacturer must embark on a protracted process of convincing both the designer and the air safety authorities that it has brought the ancient craft of forging to a precise science that will guarantee every disc's integrity. Wright reckons that almost a decade will have passed from the time Doncasters began to study isothermal forging to the day when the discs make their first flight.

Isothermal forging replaces the time-honoured hammer blows with a strong, silent squeeze that slowly massages the metal into shape. The squeeze may take many minutes, but the most recalcitrant alloys eventually yield, says David Smith, the metallurgist responsible for Doncasters' 3,200 tonne isothermal forge. He believes that there is no alternative in sight for fashioning some of the latest alloys, made from mixtures of powders, to get the properties that keep them stiff and strong at white heat.

The stronger the alloy, the narrower the temperature "window" within which it can be forged successfully, and the more likely it is to crack if the metal is moved too fast. Isothermal forging is a way of applying low rates of increase of strain.

The idea came from the US aerospace industry in the late 1970s. Doncasters began to investigate in 1983.

People had been put off because the very strong dies, made of molybdenum, were five times as expensive as conventional forging press dies. The company concluded that to win the full advantage for gas turbine design it must put the whole process under rigorous computer control.

Since 1985, Doncasters has spent about £2m – including a £500,000 UK Government support-for-innovation grant – in buying a West German-built forging press and developing it for the forging of discs. This includes designing a robot capable of precision-handling 400 kg red-hot billets of superalloy and putting every step in the process under computer control. The investment also covers facilities for another, bigger, forging press.

The entire operation is conducted by remote control inside a sealed chamber, in a nitrogen atmosphere to protect the precious dies. If any oxygen is present at the forging temperature, molybdenum simply "boils off" as a dense white smoke.

Forging takes place at about 1,100 deg C, the exact temperature for a given part being held within a degree or two. The billet goes into a pre-heated die.

Inco's laboratories in Birmingham work out the process conditions for each disc design with the help of an experimental 100-tonne isothermal forge. The metallurgists use a computer model to predict how the material will behave while being squeezed.

They can follow the metal's movement on a visual display – tracing how it flows into the die, whether it folds or fails to fill corners, where there are undesirable deformations. This model gives Smith his process control conditions. "The aim is to get it right first time."

He cites several advantages for isothermal over conventional forging for discs, including closer control of crystal structure throughout the part, accuracy of forging and the fact that it can handle materials the conventional forge cannot. Such materials include an Inco superalloy made by mechanically alloying powdered metals.

It also leads to economies in shaping some of the costliest engineering materials, priced as high as £80 per kilogram, he says.

But the biggest saving would be if Doncasters could persuade its clients that its process control was so rigorous that discs no longer needed ultrasonic inspection for cracks half-way through forging. The safety authorities now insist on this. They have to be convinced that every isothermal forging made under the same computer settings is identical.

That is how the Japanese approach their manufacturing processes, Douglas Wright says. Rolls-Royce also accepts the philosophy in principle. During the run-up to production orders for the Eurojet engine, Wright hopes the development discs he will supply to Rolls-Royce will make the case for him.

While aero-engine discs are the big target – Eurojet discs alone could be worth £60m to Doncasters over 10 years – Wright believes isothermal forging will be adopted increasingly for the more highly stressed airframe components, for example in wings and landing gear, as its consistency is more widely recognised.

Remote-control rescue for transatlantic cables

THOSE who believed that robot vehicles scurrying along the seabed only existed in science fiction films, should think again.

This spring Cable and Wireless, the international telephone company, will commission the first cable-laying ship with a sub-sea vehicle designed as an integral part of the vessel. This cableship and remotely operated vehicle (ROV) will be used principally for maintaining transatlantic telephone cables.

When winched over the side of the cableship, the ROV can dig up and repair cables 1,000 metres below the surface of the sea and carry out simple cutting and clamping jobs at up to 2,000 metres.

Built by Slingsby Engineering in Yorkshire, the remote vehicle either "swims" through the sea, or "crawls" along the seabed fitted with two hydraulically driven caterpillar track units.

The vehicle receives power and work instructions through an umbilical cord which connects it to the main cableship. Information fed back to the ship includes colour video pictures of the ROV's surroundings and the work being done by remotely-controlled tools. A tracking device also sends back acoustic pulses pinpointing the remote vehicle's location, which are converted into picture information on a video display, showing the ROV's position in relation to the main vessel.

One operator "drives" the robot vehicle from the control centre on the ship, using information supplied by the video cameras together with collision avoidance sonar, compasses and other sensors. Another operator, in charge of the tools, carries out maintenance tasks remotely, using cable grippers and cutters fitted to the ROV. The ROV can deal with the latest optical fibre sub-sea cables as well as older copper ones.

Della Bradshaw

Snapshot of the computing scene

BUSINESS professionals who worry about their grasp of the general computing scene and do not want to be bombarded with jargon and technicalities, will get good value from Allens Guide to the Computer Industry.

Written by John Kavanagh, a past editor of Computer Weekly, the book, by its very nature, will not remain up to date for very long, but it does provide an excellent "snapshot" of the companies, the current areas of interest and the problems.

Such a book can only be written by someone who has been near enough to the subject, for long enough, and the author's 20 years in and around computing stand him in good stead. The 186-page book covers most things of significance from IBM to OSI (open systems interconnect).

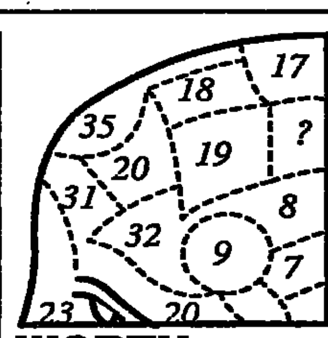
Disparities in EC research funding

THE EUROPEAN Commission is about to publish a survey of contract research organisations which shows that direct funding by the state is virtually zero in the UK, whereas in other major European countries such organisations receive up to 51 per cent of their income as grant aid.

The UK Association of Independent Research and Technology Organisations (Airto) says the contents of the report were revealed at a recent meeting in Luxembourg. They show that the UK, France and Germany have by far the strongest research sectors and that the UK is unique in providing no public funds. The survey also reveals that of the companies earning more than Ecu 3m (£2m) from contract research, 19 are in the UK, six in France and four in Germany.

The survey was carried out in order to prepare for the Community harmonisation in 1992. The Commission intends to reduce the differences by legislative, financial and diplomatic means.

According to Airto, the report is likely to receive a cool reception from the UK's Department of Trade and Industry because it recommends harmonisation of grant aid systems throughout the Community. The DTI's current policy is to provide no direct cash to research organisations.



WORTH WATCHING

Edited by Geoffrey Charlish

Substitute for mains electricity

SERVICE organisations that need to operate mains-powered equipment from vehicles – for example at remote sites or when no mains electricity is available – will be interested in a system from UK company Driftgate of Aylesbury.

It replaces the vehicle's alternator with a specially designed unit which is connected to an electronic control box small enough to fit into most engines.

The box can be switched to provide the normal vehicle 12 volt supplies on the road, or to give 110 or 240 volts at up to 2,500 watts to supply mains voltage equipment on site. A further switch position will allow welding at 170 amps DC with welding rods up to 4mm in diameter.

A replacement for copper piping

JAPANESE air conditioning systems could use less copper pipe following NKK Corporation's introduction of polybutylene insulated twin piping which is lightweight, flexible and resistant to heat and corrosion.

Developed in conjunction with Tokyo Gas company, the piping is for use in heating systems where supply and return water pipes run along the same route.

The two pipes are covered with polyethylene foam insulation which needs to be broken only to install the heat exchangers en route. Electro-fusion fittings provide easily made, leakproof joints. The low weight and high flexibility make the polybutylene pipe easier to install than copper piping claims NKK, particularly with larger diameter pipes.

How to enter with a slotless card

A CARD access system using slotless card readers in being introduced into the UK by Cobrabell (Communications) of Brentford. It was developed in Canada and France by MDA/Computrol, where several hundred systems are in operation. Many security experts see the slot in the reading device as a weak feature of card-operated systems. Material and fluids can get into the slot, the card can jam and the slot itself can be tampered with.

The Computrol card has 40 miniature coils embedded in its thickness during manufacturing and to code the card, certain of the coils are shorted out by a programming unit. At the point of entry, the card is placed on a flat reading surface, which covers a set of coils able to electrically "read" the corresponding programmed coils in the card. Holders of cards with the wrong code are not admitted. Acceptable codes – a number, the time of day or week, or the date – cause the door to be automatically opened.

The reusable fuse

BOURNES ELECTRONICS of the UK offers a reusable semiconductor device, Multifuse, as an alternative to the melting metal fuse and other cut-out devices.

It becomes heated, assumes a high electrical resistance and acts like a fuse if the current exceeds a rated value. But it resets itself to its original low resistance, current-carrying state once it cools below its "trip" temperature. Having no contacts to make and break, Multifuse is said also to be superior to alternatives such as circuit breakers.

Next generation chip production

NIPPON ELECTRIC Company is to build a new semiconductor plant at Hiroshima, Japan. It will form part of a new company, NEC Hiroshima, in which NEC is investing Y35bn. Production of "next generation" four megabit memory chips is expected to start in 1990.

CONTACTS: Reed: London, 661 3500. Airto: UK, 0664 501501. Driftgate: UK, 0296 87654. NKK: Tokyo, 212 7111. Cobrabell: London, 847 4561. Bournes: UK, 0276 692392. NEC: UK office, 0908 691133.

ARTS

Romantic who became a realist

Denys Sutton on the many changes in the career of Courbet

The nature of realism in art has been much discussed, especially in view of the changes in aesthetic values that have occurred. Thirty years ago or so it was thought that abstraction was the only valid style and figurative painting was considered old-fashioned. Then slowly the situation changed: the realists came back into favour.

As the outstanding exhibition of Courbet's work at the Brooklyn Museum, New York, (later to be seen at Minneapolis) makes clear, this master was a high priest of realism. Yet in his early days he was deeply imbued with the romantic spirit and, paradoxically, he was also a forerunner of abstraction.

Gustave Courbet (1819-77), who liked to strike an attitude, saw himself as a leader. He made much of his country roots coming from Ornans in the Franche-Comté. Settling in Paris, he became a notorious figure in Bohemian circles; one can see him, beer mug in hand, discoursing on artistic matters in a smoke-filled café.

His love of challenge led him to paint subjects that were at variance with accepted conventions. His originality is evident in such famous works as The Studio, an allegory of modern life which includes a portrait of Baudelaire, and The Burial at Ornans. These two pictures are too big to be lent to the exhibition, which otherwise presents an excellent survey of Courbet's work. They help to show his determination to succeed as a painter of the contemporary world and his ability to work on a large scale.

The exhibition, well displayed at Brooklyn, emphasises that Courbet had an eye for a telling subject. We tend to think that art exhibitions are only popular in our time, but this is not so: last century the annual Salons and the Universal Exhibitions were thronged with visitors. Courbet knew the value of publicity and staged his own show, the Salon du réalisme, at the time of the Universal Exhibition of 1855.

Courbet may be related to those protean novelists of the nineteenth century – a Balzac, a Tolstoy, a Zola – who sought to provide a panoramic view of life. Thus he chose novel subjects such as The Meeting or Good Morning M. Courbet, or the Young Ladies on the Banks of the Seine which, like Victorian problem paintings, could become the talk of the town.

His daring was considerable. Many artists painted nudes during this period, but as the Bathers of 1853 illustrates, Courbet gave his figures an earthy look, although whether this picture has lesbian undertones, as suggested in the catalogue, is another matter. This subject attracted writers, Baudelaire and Gautier among them, and is one of the most revolutionary pictures of the period. However, it seems relatively innocent when compared to Toulouse-Lautrec's paintings and prints of lesbian themes. Courbet remained a country boy; Lautrec was a sophisticated man of the world.

Like many artists, Courbet loved to show that he could excel when tackling an unusual subject. That he could beat others at their game may be seen from the Stag Taking to the Water of 1861, which seems to have been painted as an imitation of Landseer's work.

As is often the case, a comprehensive exhibition of a major painter permits his art to be looked at in different ways. On this occasion, Courbet's significance as a portrait painter becomes clear. His shrewd grasp of human nature is revealed in the early portrait of Baudelaire, c.1848, and that of his patron, Alfred Bryas, in 1853. This enlightened Maecenas shared Courbet's belief in the social mission of art. Courbet's portraits of women are no less effective and his self-portraits, with their debt to Rembrandt, possess tenderness and poetry.

> 'Like many artists, Courbet loved to show that he could excel when tackling an unusual subject'

The private side of Courbet's personality is reflected in his deep attachment to nature. He loved his native country. Anyone who knows Ornans, which is near Besançon, and the river Loue hardly needs reminding that Courbet's greyish tonalities match those found in the rocks of this region. His transcriptions of the local scene are realist paintings *par excellence*.

Such pictures help to explain the reasons that led to an appreciation of Courbet's art at the height of the abstract movement: his passages of paint, usually applied by means of a palette knife, recall those found in the canvases of Nicolas de Staël. Both artists relished the feel and substance of pigment: both gave it an almost edible quality.

Courbet's passion for paint is especially evident in his beautiful snow scenes, such as Deer hunting in the Franche Comté and Snowy Landscape with Boar, both of the mid 1860s, and both in Copenhagen. In such pictures he communicated the crisp freshness of the air, and in the former the movement of the deer is an astonishing *tour de force*. He also conjures up the effect of stillness that occurs when the ground is clad with snow: he provides an illusion of solitude that reflects one aspect of his own character.

Like many of his contemporaries, Courbet was in love with the sea. Following the example of Constable and Delacroix he was fascinated by the graduated colours found in an expanse of water as the eye progresses towards the horizon. It says much for the international character of artistic relations at that time that Courbet was with Whistler and his Irish mistress Jo Hifferman at Trouville in August-September 1865, when Jo would act the clown in the evening and sing Irish songs. Both artists, Courbet told a friend, were preoccupied with "space" and "the horizon." That this was so is proved by Courbet's delectable seapieces, which are among his most effective works.

Courbet's ability to achieve refined tonal relations also appears in his flower paintings, which date from the 1870s. In painting them Courbet joined a tradition that includes Desportes and Chardin. It is also tempting to believe that he may have been attracted to this genre by seeing the splendid flowerpieces by Delacroix that were included in the Universal Exhibition of 1855.

Investigation of the influences that shape an artist's style is generally a tricky matter; and this is true with Courbet. He was clearly indebted to the Dutch masters, executing copies after Rembrandt and Hals, as well as one after Murillo as late as 1869, when he visited Munich. It has also been suggested that Hokusai's print, The Wave, may have influenced Courbet's painting of this subject of 1869.


The Trellis, or Young Woman Arranging Flowers, Gustave Courbet, 1862, oil on canvas, the Brooklyn Museum

Courbet's variety was rather more extensive than is often realised. It is seen in his charming picture of Three English Girls at a Window, 1865, and in the different versions of his portrait of Jo Hifferman which convey his appreciation of her beautiful hair and which has been compared with Rossetti's Lady Lilith.

Courbet's final years were sad. He was involved in the Commune and was sent to Saint-Pelagie prison, where he painted a self portrait. He was also ordered to pay for the reconstruction of the Vendôme column. Unable to do so, he retreated to Switzerland. Although his work deteriorated, partly owing to his drinking too much, he managed to paint the remarkable, although unfinished, Grand Panorama of the Alps with the Dents du Midi of 1877.

Courbet is celebrated for his huge compositions and for his views on art. Yet much of his most attractive work is to be found in his smaller and more informal pictures, where his eye for tonalities is best employed. It is tempting to apply to Courbet, in fact, the words that Henry James used to describe Guy de Maupassant: that "as a commentator he is slightly common, while as an artist he is wonderfully rare." In short, it is Courbet the pure painter, rather than Courbet the propagandist, who wins attention.

● The exhibition is on view at the Brooklyn Museum until January 16 (closed Tuesdays), and then at the Minneapolis Institute of Arts from February 15-April 30. It has been made possible by the IBM Corporation with additional support from the National Endowment for the Arts. The catalogue has been made possible by the B. Gerald Cantor Art Foundation and the Andrew W. Mellon Foundation.

Wozzeck

LOS ANGELES

From the moment the Los Angeles Music Center Opera's new production of Berg's *Wozzeck* was announced, attention centred on the American operatic conducting debut of Simon Rattle, leading the Los Angeles Philharmonic (of which he is principal guest conductor) in the pit. In the event, Rattle and his "other" orchestra supplied the only sustaining interest.

In his second time out with one of the century's towering masterpieces, Rattle led a performance that, from the standpoint of pacing, dramatic insight, musical lucidity and sheer beauty of orchestral textures and sonorities, might rank with any in the opera's documented history. No less precise in his reading of the dense score than some of his anatomist predecessors, Rattle advanced an interpretation of discernibly Romantic, even traditionally beautiful cast.

Instrumental lines were executed with at least as much character as their vocal counterparts, and the orchestral interludes were uncommonly forceful and affecting. By the final, overpowering D-minor interlude, the silence in the Dorothy Chandler Pavillion audience was rapt.

Above the boards, things went less well. While not entirely at odds with the score, the David Alden/David Fielding production, a reworking of theirs for Scottish Opera, so exaggerated the Expressionist violence of the piece as to dull rather than enhance its effect. The brutality of Alden's direction and the assaultive ugliness of Fielding's garish sets (on a perilously raked stage) discouraged audience empathy.

In general, the production seemed so overdetermined that crucial emphases were skewed, such that Wozzeck's giving his money to Marie was an almost unbearably poignant moment – and his murder of her passed for little. The characters seemed as little related as their hodge-podge costumes (Wozzeck as a dog-tagged Vietnam veteran, à la Peter Sellars but without supporting context), and it was hard to care for them.

As with last season's LAMCO/LA Philharmonic collaboration, the "Hockney" *Tristan*, the "Rattle" *Wozzeck* went wanting for singers. Francis Egerton's talking (sometimes barking) of the Captian was merely the worst case of extreme casualness with Berg's pitches.

The most assured, potent, and best-sung performance came from the vocally unpredictable Franz Masura, as the Doctor. Jaclyn Bower, who clearly understood her character as well as she sang her lines, was a vivid, convincing Margret. Jonathan Mack (Andres), Warren Ellsworth (Drum Major), and Greg Fedderly (the Fool) gave intermittently telling performances.

Slavish commitment to the busy direction drained the focus from Elise Ross's Marie, who had only "moments." That is more than can be said for Benjamin Luxon, an unsinging as well as unsung protagonist. A greater victim than Wozzeck himself, he left little impression at all – and a great void at the centre of this incalculably great opera.

Timothy Pfaff

Die Walküre

TEATRO COMUNALE, BOLOGNA

The question of using film in the staging of an opera, so clamorously raised by Luca Ronconi's Scala production of *William Tell*, has been around for a long time. Berg wanted a movie to be part of *Lulu*; and Eisenstein used film in his *Die Walküre* at the Bolshoi in 1940. More adventurous (even if, finally, no more successful) was the use of film in the Bologna staging of *Walküre*, designed and produced by Pier'Alli at the Teatro Comunale, as part of a *Ring* in progress.

Where Ronconi used only nature, landscape, Tourist Board scenery, Pier'Alli boldly showed us human beings, ten times life-size, as well as symbols, abstractions, dumb show. The films were therefore often exciting to see; in fact, their vividness all too frequently overwhelmed the performance of the singers in the reality of the stage. After seeing a gigantic Brünnhilde on the scrim-screen, it was disconcerting to see Johanna Meier, horseless, in mere human dimension. And when the filmed world and the stage interact the results could be confusing, even risible; as when Sieglinde (Carmen Reppel) was visible amid some swirling dead leaves, much enlarged, on the screen. The leaves seemed like UFOs and it was as if the soprano were battling some flying table-cloths.

Curiously, the moments usually of unfailing dramatic effect – the arrival of spring, the drawing of the sword, the duel, the magic fire – went almost for nothing: they were too scaled-down. Scaled-down, too, was the conducting of Luciano Chailly; the Bologna orchestra, over the past few years, has improved enormously and is now one of Italy's best. Under Chailly, it sounded good; but the reading lacked inflection and was monotonous. It also lacked flow.

The cast ranged from acceptable to excellent; and in this latter category, Siegfried Jerusalem, the Siegmund, must be named first; but Johanna Meier was also in fine form. At the outset Carmen Reppel seemed dim, over-parted; but her interpretation – and even her voice – grew and gained authority, and in her final scenes she rose splendidly to the occasion. Sergej Koptchak was a Hunding of dark menace; Franz Ferdinand Nentwig's Wotan had a paternal warmth, though vocally unsteady.

The *Ring* in Italy has had uneven luck lately. The pretentious Ronconi productions, seen at La Scala, then in Florence, are so unwieldy that they make it impossible to give the cycle in sequence: it is unlikely that any of those cumbersome stagings will be revived. In Turin, there is a somewhat conventional, but (to judge from only partial acquaintance) attractive staging, almost complete. Bologna has two more operas to go; so any conclusions must be postponed. One thing about film: it requires little storage space, and can easily be altered or replaced. Over the next two years Pier'Alli may have second thoughts. It will be interesting to see what they are.

William Weaver

Fourth Soviet Film Festival

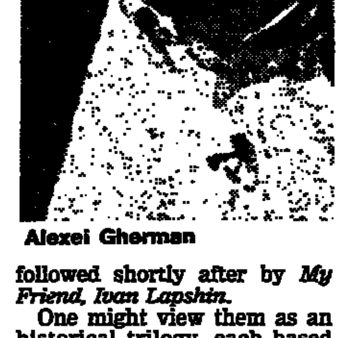
WEST BERLIN

Alexei Gherman – together with Elem Klimov, Alexander Askoldov, and Tengis Abuladze, the most discussed *Perestroika*film directors in the Soviet Union today – was the feature, in-person attraction of the Fourth Soviet Film Festival at the Filmbühne am Steinplatz in West Berlin. A few days before his arrival, Askoldov's *Commissar*, the official Soviet nomination for the Academy Award, was banned across the way in the German Democratic Republic, together with four other Soviet feature films (part and parcel of a GDR successfully launched Soviet Film Festival) and the latest edition of *Sputnik* magazine (containing an article comparing Stalin with Hitler).

Here, in West Berlin and West Germany, where *Commissar* is currently drawing a heavy box-office, Gherman was asked to comment on the banning: "This is the first I have heard of it – but it is foolish, for I find it a truly extraordinary film," he said.

The audience, too, was well aware that Gherman's own two films in the West Berlin programme – *Road Check* (1971/86) and *My Friend, Ivan Lapshin* (1982/86) – had also been banned in the Soviet Union, while his thematic strength as an uncompromising Soviet writer-director (for stage and screen) has always been that of historical truth in the face of Stalinist opposition and manipulation of the facts.

Back at the dawn of the Gorbachev era, Alexei Gherman's shelved films were the first among suppressed directors to see the light of a projection booth: first came *Road Check* (retitled from *Happy New Year Operation*) and *Twenty Days without War* (1976/77), both of which were previewed on the First Television channel (an automatic 70m viewers) before their official release in 1986,


Alexei Gherman

followed shortly after by *My Friend, Ivan Lapshin*.

One might view them as an historical trilogy, each based directly or indirectly on the writings of Alexei's journalist father, Yuri Gherman, save that the last named stands out from the other two war stories as something quite extraordinary: it was the first Soviet film to deal exclusively with the theme of Stalinism, unparalleled and unmatched, even by Georgian director Tengiz Abuladze's heralded political metaphor, *Repentance* (1984/86). It was not by chance that this year nine of 12 Soviet critics listed *Ivan Lapshin* among the best Soviet films of all time. Indeed, when programmed in a Moscow cinema, it ran to packed houses for six months.

Based on the revised version of Yuri Gherman's story *Lapshin* (published 1937), retitled *One Year* (1960), it is the story of an NKVD secret policeman in 1935, the very year when the Great Terror was about to be let loose in all its fury. Banned within an hour after the authorities at Goskino viewed the film, *My Friend, Ivan Lapshin* begins with an opening image that transmits in no uncertain allegorical terms (at least for the informed Soviet intellectual) the murder of Party leader Sergei Kirov (his photo is seen later on the wall wreathed in black). It closes with a huge, ominous poster of Stalin on the front of a passing tram to hint of what is in store for Lapshin and other Gherman acquaintances during this adventure of hunting down bandits in a mud-clogged, snow-covered Leningrad. Purposely constructed on fragmentary innuendo, on the soundtrack as much as in the grey-green-brown sepia-tinted sequences, *My Friend, Ivan Lapshin* takes the pulse of the times as few other films set in the 1930s I have seen.

Ronald Holloway

ARTS GUIDE

December 30-January 5

EXHIBITIONS

London

The National Gallery. Rembrandt: Art in the Making. A small but highly informative study exhibition, prepared by the Gallery's technical department and centred on the major works by him in the collection, treating on Rembrandt's working methods and materials. Ends Jan 17.

The Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50. It concentrates on the painting rather than graphic work of this most prolific of artists, who has enjoyed the most extraordinary popular success from the very start of his career, nearly 30 years ago. Ends Jan 8.
Until Jan 22.

Paris

Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions at the Louvre. 72 drawings constitute a panorama of Rembrandt's masterly work and can be compared with 54 drawings executed by his pupils. The other exhibition consists of 29 canvases by Rembrandtesque artists and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's own paintings. Both exhibitions closed Tue, the first ends Jan 30, the second March 27. Entry from the Quai des Tuileries, opposite Pontroyal (42 60 39 26).
Centre Georges Pompidou. Tinguely's tinkering genius sets his machines swirling and whirring in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of inventionto metaphysical preoccupations in his recent works. Closed Tue, Ends March 27 (42 77 12 33).
Galerie Odermatt-Cazeau, Camille Claudel 1864-1943. The sculptor, a disciple and lover of Rodin, whose tragic life, ending with 30 years in a mental asylum, inspired a book and now a film, is the subject of an important exhibition. There are 14 of her works, mostly bronzes, with a towering Perseus and Gorgon in marble. The exhibition is completed by 7 bronzes by Rodin, including two portraits of Camille herself, young and beautiful, adding the last touch of pathos. 85 Bis, Rue du Fbg. Saint-Honore (42669258). Closed Sundays. Ends Jan 31.

Brussels

Musées Royaux d'Art et d'Histoire, Parc Cinquantenaire. China, Heaven and Earth, 5,000 years of Invention and Discovery. Instruments and artworks largely from collections in Belgium, China and Britain which illustrate Chinese innovations in science and technology. Ends Jan 15. Closed Monday.
Musée d'Art Ancien. From Manet to Picasso: The Reader's Digest Collection. Impressionist and Post-Impressionist works from the corporate headquarters in Pleasantville, New York. Closed Monday. Ends Jan 22.
Musée Bellevue. Les Flacons de la Seduction. The art of perfumery in the 18th century. 7 Place des Palais. Ends Feb 19.
CGER. The Fifties in Brussels, a nostalgic look at 50s Kitsch. Open daily. 12 Rue des Boiteux. Ends Jan 15.

Rotterdam

Boymans-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school comprising a lavish 200 drawings and 30 paintings, all from the museum's own collection. Ends March 5.

Berlin

Emil Nolde (1857-1956). The exhibition concentrates on Nolde's most creative period in Berlin between 1910-1911. There are about 125 not well known pictures, aquarelles, litographs and etchings. Berlin, Brucke Museum, Bussardsteig 9. Ends Feb. 5.

Stuttgart

The most important pictures of the famous Thyssen-Bornemisza collection covering the period between 14th-18th century are to be seen in Stuttgart until March 1989. There are works by Holbein the youngest, Frans Hals, Peter Paul Rubens and Albrecht Durer.

Darmstadt

Hessisches Landesmuseum. Glassworks and paintings of the British artist Brian Clarke will be seen for the first time in Germany. He made his name with his lead glass windows, for the new Synagogue, opened this week in Darmstadt. With the blue and red coloured windows he symbolises the suffering and hopes of the Jews. Ends Jan 29.

Vienna

Kunsthistoriches Museum. Prague 1600 – A marvellous exhibition looking at the court of Rudolf 11, the great patron, not only of the arts but the sciences too. He kept Johannes Kepler, the astronomer from near starvation, made Prague a centre of learning and culture. Ends Feb 26.
Museum der 20 Jahrhunderts. Klassische Moderne – a collection of the Museum's contemporary art. Ends March 7 1989.
Historisches Museum der Stadt Wien (The city of Vienna's Museum for history). A commemoration of Kristallnacht, which took place throughout Austria on the night of November 9 and 10 1938. This exhibition, which takes the form of slides, pictures and maps depicting Austria's 180,000 strong Jewish community before 1938, is an attempt by the Austrian Government to become more open about its ignominous past. Ends Jan 29.
Hermes Villa. Portraits by the fin-de-siècle artists. Gustav Klimt and Emilie Floege. Ends Feb 19.

Rome

Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 25

Venice

Museo Correr a la napoleonica: Giorgio de Chirico (1888-1978): a major retrospective organised jointly by the Galleria Nazionale d'Arte Moderna in Rome and the Giorgio de Chirico Foundation to celebrate the centenary of the painter's birth. On show are over 150 works from public and private collections, including the Metropolitan and Guggenheim in the USA, and the Pompidou in Paris, by a painter declared dead in the 1920s by Andre Breton, author of the surrealist manifesto, who disliked his change of style from metaphysical to poetic. Ends Jan 15.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.

Metropolitan Museum. The first major Degas retrospective for over 50 years has 300 paintings, sculptures and drawings covering the artist's entire career and various interests, from early classical motifs and stiff portraits to the ballet studios and washerwomen that freed his imagination. Ends Jan 8.

New York Public Library. Two millennia of Hebrew books and illuminated manuscripts feature 185 rare and beautiful works, half from the library's own collection and half borrowed from abroad. Among the rarest historic items are Dead Sea scrolls, the 13th-century Xanten bible from Germany and the Nahum Commentary. Ends Jan 14.
National Gallery. Phillips Collection. The modern vision of the pastoral landscape, with works by Gainsborough, Constable, Eakins and Cezanne, among others, is part of an unprecedented 135-work, two part show, the other half of which, depicting landscapes of five centuries, is at the Washington National Gallery. Ends Jan 22.

Chicago

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner and Lear to the pre-Raphaelites. Ends March.

Washington

National Gallery. Seven Centuries of Japanese Art, as it evolved under the feudal *daimyo* lords is the subject of a major exhibition of 450 specially designated Japanese national treasures, including paintings, sculpture, swords, painted scrolls, ceramics, robes and lacquer. Ends Jan 23.

Tokyo

Teien Museum. Paintings by Leonard Fujita (1886-1968), one of the first Japanese artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career.
Teien Museum. Paintings by Leonard Fujita. Fujita (1886-1968) was one of the first Japanese artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career. Closed Mondays.
Nishimura Gallery, Ginza. Katsura Funakoshi. Recent sculptures by one of the Japanese artists who exhibited at this year's Venice Biennale

Dick Whittington

RICHMOND THEATRE

Principal boys, although well-endowed with thighs and other essential equipment, have always been fairly boring. Richmond, a bastion of traditional pantomime, offers us this Christmas the only principal boy I've known to perform wearing spectacles. But there are models to remember. I believe Geoffrey Boycott may have opened for England wearing spectacles before he discovered contact lenses.

Which brings us to Su Pollard, Richmond's friendly, enjoyable and highly talented Dick Whittington. She doesn't try to hide the qualities that made her a star chalet maid in the television comedy series Hi-de-Hi and at the same time is well-endowed with thighs. The production works well; Ms Pollard plays the Gloucestershire innocent abroad in London nicely and you never even doubt that she could become Lord Mayor in a thin year.

One of her strengths is that she is funny, which principal boys seldom are. The zest and cooperation of the funny characters in this Dick Whittington make the show. We have Bernie Winters as dame, Sarah the Cook that is, in a number of hair-raising wigs, Robin Askwith and Stirling Rodger as captain and mate of the ship owned by Alderman Fitzwarren, played as a charming scatterbrain by Ken Bruce.

So far so good. But did the kids enjoy as much as they should? My impression is that the grown-ups got more out of it. But this is becoming increasingly obvious in pantomime – in the north we knew it years ago: panto is really for parents and they take along the kids as a convenient front for their own desires to recapture lost innocence.

It is a spectacular show with splendid costumes and dancing, and the magic session in the second act – by Richard and Lara Jarmain as the Sultan and Sultana of Morocco – is beautifully done and was loved by the kids. Dick's cat, Tommy (Sarah Knight-Wilson) will be a favourite, played unaggressively in a way that is unlikely to offend any animal rights fanatics.

Apart from Ms Pollard, the star of the show for me was Peter Blake as King Rat. Amid the boos and hisses he manages to belt out a lovely rock number – any connection with the old-fashioned Demon King is purely coincidental – and for his efforts he is offered the girl in the end, but as this girl happens to be Bernie Winters it can only be described as a mixed blessing. Of course, the real girl, Alice Fitzwarren (Jenny Coulston) is Dick's bride, so tradition is satisfied.

Alan Forrest

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000
Thursday January 5 1989

The Gadaffi problem

IN THE absence of any clear evidence to the contrary, Western public opinion will accept the American version of the *facts of yesterday's incident in* the Mediterranean, in which two Libyan jet fighters were shot down. It happened well outside Libyan airspace, the American pilots had good reason to believe they were under attack and consequently they fired in self-defence. If the Libyan fighters were not in fact about to open fire, they acted in a way which was bound to give that impression.

Yet the incident does raise a political question: why does the US, the world's greatest military power, find itself so frequently engaged in armed conflict with a state so much smaller and less powerful than itself as Libya?

The problem is hardly new. As long ago as August 1981, in an incident closely resembling yesterday's, US fighters shot down two Libyan jets which attacked them during naval exercises in the Gulf of Sirte, which Libya claims as territorial waters but most other countries regard as international; and in December 1981 a State Department official was quoted as saying that people within the Administration "seriously want to attack Libya," after reports that Colonel Gadaffi had sent "hit squads" to kill President Reagan.

Chemicals factory

In March 1986 the US attacked Libyan patrol boats and a missile base in retaliation for unsuccessful Libyan attacks on US aircraft, again during manoeuvres in the Gulf of Sirte; and the next month came the US bombing of Tripoli.

All of that needs to be kept in mind when one analyses the events of the last few days. The US Administration believes it has discovered a newly-built chemical weapons factory in Libya. It leaked this fact to the American press, stimulating a question to the President on the possibility of military action. Mr Reagan confirmed that this had been discussed and hinted that it was being actively considered. Subsequently the US rejected a Libyan offer to submit the factory to international inspection.

It may well be true that the movement of US ships and aircraft *in the Mediterranean*, some tens of miles off the Libyan coast, had nothing to do with all this. But it was surely predictable, if it was not positively intended, that Col Gadaffi would see this combination of events as threatening and provocative, and, given his track record, that he would respond in a provocative and dangerous manner. Was it necessary for the US to court such a reaction, and has it achieved anything?

Strange inconsistency

The issue of chemical warfare, to be discussed at a high-level conference opening in Paris on Saturday, is a very serious one, and the US is right to take it seriously. The idea of Libya arming itself and possibly others, with chemical weapons is alarming. But there is a strange inconsistency in the US position. The existing 1925 protocol bans the use of chemical weapons, not their production or storage: that is the object of the treaty still being laboriously negotiated in Geneva – in which negotiations the US is insisting on on-site inspection as an essential means of verification. As the law stands, Libya has the same right which the US has, and exercises, to produce and stock chemical weapons as a deterrent.

There is thus no conceivable legal base for US military action against Libya on this count. Iraq, by contrast, has been publicly accused by the US not only of producing but of using chemical weapons, in clear violation of the 1925 protocol, and has refused to admit a team of UN inspectors. Yet the US has not even hinted that it might take military action against Iraq, and the Administration has sought to avoid being obliged to apply even economic sanctions.

It is hard to resist the conclusion that the US regards Col Gadaffi as a soft target who can safely be intimidated with military threats and actions while other, more dangerous criminals have to be treated with kid gloves.

Opting out of the NHS

ONE OF THE early ideas considered by the ministerial team reviewing the future of British health care was to boost private medicine by allowing individuals to "opt out" of the National Health Service. The plan was soon dropped when it was realised that the healthy would depart leaving the state to finance the elderly and chronically sick. A different way of cutting the state bureaucracy down to size is now being proposed: that is to allow hospitals to opt out of the NHS and establish themselves as independent self-governing institutions. An obvious parallel is being drawn with the recent education reforms which give state schools the opportunity to opt out of local authority control.

The ideological attractions of the opting out idea are clear enough. As in education, it looks radical but it actually represents a safety-first compromise between the full rigours of a free market and blanket provision by the state. The consumer is seemingly offered greater choice – a menu of NHS, private and self-governing hospitals – but the state, as principal paymaster of the opted-out institution, retains ultimate control. Finally, the option to go independent is calculated to exert considerable pressure on district health authorities: like local authorities in the case of schools, if they want to maintain their market share, they have an incentive to treat their institutions well.

Cost-efficient provision

Whether opting out would lead to fairer and more cost-efficient provision of health care, however, is quite a different matter. In the education context, a number of difficulties have emerged at an early stage. One is that many of the schools clamouring for independence are those that were scheduled for closure by local authorities. The closure of a hospital is at least as sensitive an issue as the closure of a school. It would be unfortunate to say the least if opting out in health became a mechanism for preserving old, inefficient hospitals. Yet it might be hard to frame legislation so that only the "right" hospitals (for example a strong teaching institution such as Guy's) became self-governing.

The analogy between schools and hospitals is in any case rather dubious. A school, once financed, can provide education more or less in isolation. It does not need to interact with other schools or providers of education – or, at least, not in the way that a large district hospital must continue to interact with general practitioners and its local community. Everything therefore turns on what, precisely, is meant by "independence." If hospitals were allowed to break away and do their own thing, the result could be chaotic. As is the case in the private sector today, the opted-out hospitals would phase out unprofitable services – such as long-stay wards for the chronically sick – and pump resources into money-spinners such as the items of elective surgery covered by private medical insurance.

Illusion and reality

Presumably, this is not what the Government intends. But if an opted-out hospital were contractually obliged to meet a long list of requirements set by its local district authority – so many beds for terminals, so many for geriatric care and so forth – to what extent would it be independent? And to what extent would competition between hospitals – the supposed point of the reform – be real rather than illusory? Much would depend on the pricing freedom granted self-governing hospitals. At present, the Department of Health is unwilling to devolve such powers to regions or districts – let alone to individual hospitals.

The Government should remain committed to providing equal access to health care irrespective of a person's means. But this principle leaves considerable flexibility over the way health care is provided. Self-governing hospitals may or may not represent an improvement on the status quo. The only way to find out is to perform some controlled experiments – something no government has ever done in health care. But it would be a crass error to force through radical-sounding reforms on purely ideological grounds.

Kenneth Gooding looks at the outlook for base metals in the year ahead

Shining prospects

What does the future hold for base metals demand and prices? That is one of the immediate questions raised by the $4.32bn (£2.4bn) deal, announced on Tuesday, for British Petroleum to sell its worldwide minerals interests to the RTZ Corporation.

About this time last year the copper price unexpectedly raced to record levels and was quickly followed by those of most other base metals. After a lull during the summer, copper, the world's most heavily traded metal, is again touching new heights. Zinc is also setting records and the prices of aluminium, nickel, and lead are still looking very healthy.

Is BP selling at the top of the metals cycle? Is the traditional boom-bust pattern still in place? Should RTZ and the rest of the industry brace themselves for a collapse in demand and prices this year?

Far from it. Instead, "a new golden age for base metal mining may have begun," says Tony Hayes, mining specialist with W. I. Carr, the London securities house. Andrew Smith, metals analyst with Phillips & Drew, suggests: "The fundamentals are extremely sound, buttressed by another year of investment-led, metals-intensive growth in the world economy. We expect the average of all base metals prices – except aluminium – to be higher in the first half of this year."

Looking further ahead, the Metals and Minerals Research consultancy group predicts: "Although base metal prices may slip back from their 1988 highs if economic growth slows this year, they are likely to remain significantly above their early-1980s lows in every year to 1993.

"As a result, producers will enjoy a period of healthy financial returns unheard of since the early 1960s."

That is good news for RTZ, which – after the BP deal – will be by far the world's largest mining and metals group. It should also be comforting for major metals producing countries such as Brazil, Chile, Peru, Papua New Guinea, Zaire and Zambia.

But what are the implications for inflation in the industrialised economies? The roots of the current metals boom are to be found in the depths of the last recession in 1982-83 when metal stocks rose steeply, causing prices to plummet to levels below the cost of production for many mining companies.

As Western economies gradually recovered, metals prices hardly responded. Increasing demand merely pulled metal from bloated stocks. During those years most mining companies struggled to survive. Consumers grew complacent in the false belief that there would always be low-cost metal available from producers' stocks. Consequently, when the turnround came in the middle of 1987, it was breathtakingly fast.

Consumers started to chase ever-depleting metal supplies. But producers did not respond quickly. First they had to repair their battered balance sheets and, more importantly, their faith in the future. The stock markets crash in October 1987 gave the miners' fragile confidence a knock.

Even when confidence was restored, the industry suffered from its perennial problem: that it always takes a great deal of time for planned production increases to translate into additional metal. Production started to advance only slowly in response to rapidly escalating demand and is still struggling to catch up.

Western world stocks of copper, lead and zinc are equivalent to only three weeks' consumption. Many observers believe that to work efficiently, industry needs enough stock to satisfy 1.75 months demand, the level established in December 1986. Metals and Minerals Research suggests that stocks cannot be expected to rise above this critical level at any time in the next five years.

During the past year low stock levels have been the dominating force behind the high prices on the London Metal Exchange, the market of last resort for anyone desperate for metal. Any sign of interruption to supply has sent prices spiralling upward – and there have been substantial interruptions, culminating in a 57-day miners' strike in Peru which mines about 11 per cent of the non-Communist world's zinc, 8 per cent of the lead and 6 per cent of the copper.

Peru's 1988 output was already well below the previous year's level before the strike and production from Chile, Zaire and Zambia has also been falling well short of targets. After working at full production for what they believed was a very temporary peak in prices, mines in these countries eased back for maintenance and other tasks.

Andrew Smith of Phillips & Drew says policies of devaluation and subsidies, designed to bolster the competitiveness of the mining sector in the developing countries, have proved unsustainable.

"Mine output is now the casualty as these countries attempt to escape the treadmill of devaluation, hyper-inflation, external borrowing, and economic inefficiency. Those Western mining companies which threw brickbats at these developing countries in the early 1980s (for causing the prices collapse by over-producing) should now be showering them with plaudits for giving the metals boom a second wind."

However, although that second wind sent base metals prices spiralling upward, in real, inflation-adjusted terms prices have some way to go before they return to the levels of the 1979-80 boom.

David Williamson, head of the mining team at Shearson Lehman Hutton, points out that if metals prices are adjusted to take account of the dollar's fluctuations and inflation, "the current bull market in base metals is not as strong as that seen in either 1979 or 1974. This has interesting implications for industry and for inflation. It means that on an international basis, the price of base metals continues upon a gently *declining* trend and that the current bull market should not prove to be overly inflationary."

On the other hand the spectacular profits to be declared for 1988 by the base metals producers can be taken at face value. The strenuous efforts of the mining companies to cut costs and introduce lower-cost new production are now bearing fruit. "The key to profitability is how much a company can make from today's prices. Today's prices might be 15 per cent lower than in the boom of 1979-80, but operating margins are 30 per cent higher," says Huw Roberts of Metals & Minerals Research Services.

His colleague, Simon Hobson, calculates that recent lead prices have been 35 per cent above world average mine operating costs; those for zinc have been more than 80 per cent above; while copper has traded at nearly 200 per cent over world average costs.

Producers do not expect to maintain margins of this magnitude but there is one important factor likely to prevent any price collapse even in the long term – the growth of metals demand in developing countries as their own semi-fabrication and engineering industries develop.

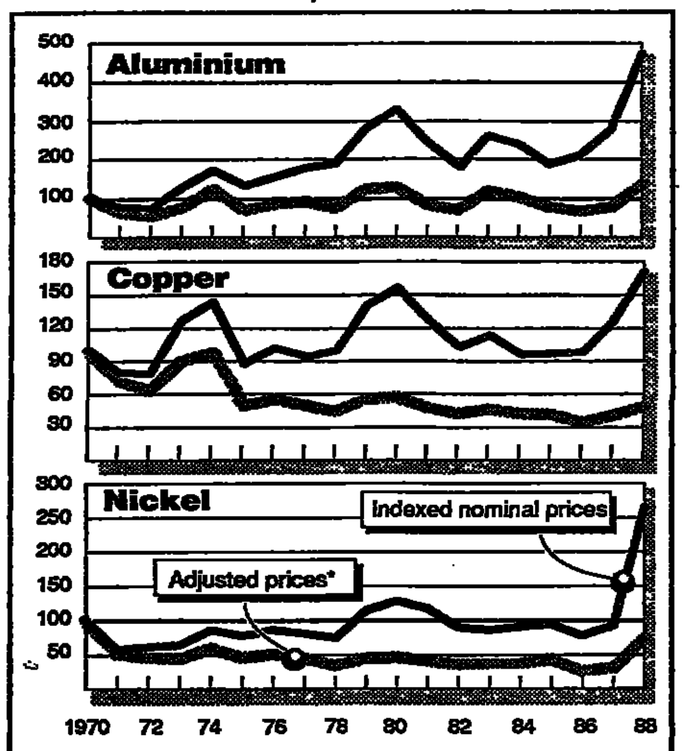
As a result, the developing countries – in particular India, South Korea, Taiwan, Brazil and Mexico, which between them account for half to three quarters of each base metal consumed by such countries – saw their share of non-Communist world consumption rise by 6 to 7 percentage points in the 10 years from 1977 for each of the six major metals (copper, aluminium, lead, zinc, nickel and tin).

Tony Hayes of W. I. Carr believes Japan's demand for copper and aluminium can be expected to grow at an annual 5 per cent for the next five years, South Korea's demand is growing at an annual 15 per cent; Taiwan's at 12 per cent; Hong Kong's, Singapore's and Malaysia's at about 10 per cent, "to say nothing of the Philippines, Brazil, and, greatest of all, China.

"While it could be argued that each of these countries individually represents only a small portion of total consumption, the collective 5 per cent annual growth in these countries will result in a total world industry production growth of about 2 per cent a year or a 1.6 per cent increase in copper consumption and 2.4 per cent in aluminium. That is equivalent to 130,000 tonnes of copper a year and 340,000 tonnes of aluminium.

"This assumes that the rest of the world does no more than stand still. Should the older economies merely slow down rather than recess, demand for metal should be even greater. This points to a continuation of shortages and consequent high metal prices until such time as production catches up with demand – which might take years."

Which helps to explain why some analysts feel that, although BP's timing for the sale of its minerals assets might be good because base metals prices are likely to ease back during 1989, in the longer term the deal will undoubtedly turn out to be one of the shrewdest RTZ has ever made.



* Adjusted for US $ fluctuations plus inflation 1st. half
Source: Shearson Lehman Hutton

BOOK REVIEW

A fix for junk mail junkies

ONE BILLION DOLLARS OF INFLUENCE: The Direct Marketing of Politics
By R. Kenneth Godwin
Chatham House Publishers, Chatham, NJ $12.95

Once a passion for direct mail gets into your bloodstream, it is very hard to eradicate. Sending out a direct mail letter gives the same anticipation as high-stakes gambling; receiving the results of a successful mailshot is a bit like Christmas. Even if you stop working in the business, a vicarious passion lingers: mail that other people *discard unopened* becomes treasured reading material.

Few direct-mail letters give more pleasure to the connoisseur than American political and fundraising exercises. Precisely because they offer the recipient no tangible benefit, they are direct mail at its purest, created by some of the form's most talented – or at least uninhibited – practitioners. Consider this opening to a letter from Murray Norris, president of the lobbying group Christian Family Renewal:

"Just When You Thought Your Children Were Safe From Homosexual Advances, Congress Introduces House Resolution #427: The "Gay Bill of Rights."

Roughly one paragraph in three of all the political direct mail Godwin studied contains some such appeal to fear, and the technique is used by direct mailers from every part of the political spectrum. Godwin reports: "An antinuclear group, SANE, threatens nuclear war if you do not respond: 'The Administration is preparing to fight and "win" a nuclear war!'"

He ranks letters according to their use of fear, guilt and name-calling. On that basis, a letter from Jerry Falwell of Moral Majority (". . . we are locked in a raging battle with the proabortionists, homosexuals, pornographers, atheists, secular humanists, and others") was most closely matched by a letter from the environmental group Greenpeace. "And direct mail from Alan Cranston, one of the most liberal senators, provided the closest match to a letter from Senator Helms, one of the most conservative."

Letters from groups peddling ideological causes place a higher emphasis on fear and guilt than those from mainstream political parties, according to Godwin's researches.

He found there is typically only a one or two per cent response to initial prospective political mailings. But, once an organisation has identified its "house list" from these respondents, subsequent mailings can achieve a success rate of up to a remarkable 20 per cent. His research suggests that political direct mail attracts responses from two different kinds of people: those who do not know much about an issue, but respond to an issue set out in dramatic, easy to grasp terms; and those who already feel strongly about the issue. "Neither kind of respondent, however, felt committed to the political organisation that sent the message."

This is both political direct mail's great strength and great weakness. It is a strength because it allows direct mail practitioners to mobilise opinion and funds quickly. It is a weakness because "persons who participate in response to a direct-mail appeal are not likely to continue contributing when the issue fades from the public eye."

This has two consequences. First, it means that direct-mail-based groups have to keep constantly alert for the next "hot" issue, often abandoning old ones before they have been properly resolved. Second, groups that depend heavily on direct-mail can run into trouble when their chosen issues drop out of the news.

Indeed, Professor Godwin feels that political direct mail reached a peak in the US in 1984-6. If free-floating political mailers are finding things harder, however, the political parties are still generating huge sums from direct mail – especially the Republicans, who raise four times as much money from it as the Democrats. As a result, the Republican party "has become increasingly dominated by marketing, polling and fund-raising professionals."

Godwin argues that neither the worst fears nor the best hopes about direct political marketing have been realised (it does not fragment the parties, or significantly increase political extremism; nor does it lead to greater participation by the previously disenfranchised). It should, he believes, none the less be kept on a tighter rein.

The book is a brisk, clear treatment of an important political issue, mercifully free of political-science jargon. (Its publisher, an American firm, has no connection with Britain's Chatham House). Its only defect, perhaps, is that it does not include quite enough examples of vintage political copywriting to suit the tastes of the true direct-mail aficionado.

Peter Martin

CORRECTION: In the table accompanying yesterday's West German economic forecast, the column labelled 1990 should have been headed 1988. The column labelled 1989 was correct. Thus, real GNP growth in West Germany is forecast at 2 per cent in 1989, after 3½ per cent growth in 1988.

OBSERVER

Unfair shares all round

■ As the 17 men and women who will be the European Community's commissioners for the next four years prepare to take up their posts tomorrow, an unseemly squabble is marring the smooth transition from president Jacques Delors's first administration to his second.

Who are to be the Commission's six vice presidents – a rank which not only carries great national prestige but also a 12.5 per cent salary differential (bringing the total to a useful £95,000)?

The convention is that the large member states each have a VP – which means that Sir Leon Brittan, Mr Martin Bangemann, Mr Filippo Maria Pandolfi and Mr Manuel Marin are assured four slots – while the other two are rotated among the smaller countries. Unfortunately for the Irish, Greeks and Portuguese who think they have a claim to them, the two incumbents, Mr Frans Andriessen of the Netherlands and Mr Henning Christophersen of Denmark are staying put.

Heated negotiations have been held in recent weeks prompting one exasperated insider to propose that 17 vice presidents be created. But with Greece the only country now withholding approval of a plan to preserve the status quo, the issue could be sorted out at a meeting in Brussels today. The true meaning of *communautaire*, after all, is that some are more equal than others.

Empty plate

■ Argentina's Peronist presidential candidate, Mr Carlos Menem, has threatened to "impound" British Crown properties in the country "until Britain ceases its economic aggression in the South Atlantic." Since Mr Menem could become President in May, his threats have caused rather a stir.

But just how much property does the Crown have down there? Alluding to massive cattle ranches in Patagonia, Mr Menem claimed 300,000 hectares. But an inquiry ordered by Peronist Congressmen has produced a different result: the Crown owns a total of 12 flats and two cars.

Welsh poll

■ Richmond may be the by-election on everyone's mind, but Pontypridd is worth keeping an eye on. The constituency, which runs from the northern commuter edge of Cardiff to the southern tip of the Rhondda valley has the makings of another Govan.

As in that Scottish poll, Labour basks in a giant majority. The likeable Labour moderate, Brynmor John, who died just before Christmas, was more than 17,000 votes ahead of his nearest challenger last time and had more votes than the other three candidates combined.

But Labour is worried. It will probably call the election on February 23, eight days after the new electoral register comes into force, and too soon for the Tories to bring their traditional vote-gathering efficiency to bear.

The Welsh Nationalists, Plaid Cymru, are first off the mark, though; they select their candidate tonight. Party secretary Dafydd Williams sees encouraging parallels with Govan, where the Scots Nats pulled off a famous victory last autumn: strong representation on the local council, disenchantment with Labour's Tammany Hall reputation, and a similar hill (25 per cent swing needed) to be climbed.

"If we pull 8,000 to 9,000 votes from Labour, the Alliance collapses and we get some Tory votes we could be knocking on the door," he says. A tall order for a party that came bottom last time round. But it was in Govan, too. Could be worth an each-way bet.

"He called me the Eddie the Eagle of gilts and sacked me"

Clear leader

■ The latest victim of Japan's Recruit scandal is Nippon Telegraph and Telephone's position as the world's largest company. NTT's murky involvement with the Recruit publishing group has brought its share price down from over Y2.5m last May to Y1.81m at the close of 1988. This puts its stock market capitalisation below that of the Industrial Bank of Japan. IBJ, known for its blue chip Japanese client list and international savvy, claims to have had no contact with Recruit.

Term time

■ Sydney Mason, the property tycoon whose life's work at Hammerson is under threat with a £1.3bn bid from Rodamco of Holland, was grieved by a suggestion in this newspaper that his company had begun to look like an industrial training school, such is the number of executives who have moved in and out of its offices at 100 Park Lane.

We have now received a "prospectus" from the Hammerson Property Academy (Head Tutor S. Mason) which informs us that the total enrolment is 52, and that there are nine pupils in the Sixth Form and Remove who have been studying there for more than 10 years. One, indeed, has been there for 35.

It also shows that four of the Academy's five prefects have been there for over 20 years.

The odd one out is John Parry who has been there only five. But he did enter at Sixth Form level and, Rodamco notwithstanding, could be the next Head Tutor. But Mason, who is 68, is cagey about his plans. He speaks of the good team that he and young John make, and shows no sign of wanting to hang up his gown.

Graduates listed on the Honours Board include Paul Marber, now running the property arm of Associated British Ports, and John Butterfill, Conservative MP for Bournemouth West.

Hard road

■ British travel vignettes:
- From the AA's London traffic report yesterday: "Traffic congestion is expected to reach normal levels by next week, when the majority of schools have reassembled and all major roadwork schemes have been opened up after the Christmas and New Year suspensions."
- A 22 bus took a wrong turning in the heart of the City of London yesterday and ended up causing chaos as it executed an unauthorised U-turn in Queen Victoria Street, and then ignored a No Left Turn sign to get back into Cheapside.

Mortgage rates and inflation

By Samuel Brittan

The absurdity of judging the inflation rate by the annual increases of the Retail Prices Index, including mortgage interest payments, is greater than people realise.

During the closing months of 1987 and early part of 1988, when inflationary pressure was building up, the rate of increase of the RPI was actually declining and reached a low of 3.3 per cent last February. In February 1989, on the other hand, when the latest round of mortgage increases has been incorporated, the recorded inflation rate will be well over twice as high.

Some plausible estimates by Peter Warburton of Shearson Lehman suggest that the RPI increase could then reach 7.9 per cent and peak at over 8 per cent in May — boosted by a probable increase in the weight of mortgage payments in the index following the recommendations of the Retail Prices Advisory Committee.

The mortgage interest distortion is to a large extent an echo effect. The measured RPI was low a year ago because the comparison was with a period another year back when the mortgage rate had just been increased. In the first half of 1989, measured inflation will be high because the comparison will be with a period of relatively low mortgage rates in early 1988. Measured inflation will then drop later this year, not because of anything actually going on, but mainly because mortgage rates rose in the course of 1988.

The effect of including mortgage interest in the RPI has swung from that of depressing the inflation rate by 1 per cent in mid-1986 to boosting it by 2½ per cent likely this year.

Do we not pay too a high a cost for these switchbacks around an underlying rate of RPI increase, which according to official estimates is now around 5.1 per cent, and should peak at 5.5 per cent in the course of this year? The upward swings above the underlying inflation rate do harm, which is not offset by the periods when the RPI is depressed. When the RPI is artificially high, it is used as a pretext to back wage demands, as reported, for instance, in the December Report of Incomes Data Services. But there is no offsetting relaxation of pressure when distortions are downward.

Not all that is said about cost of living pressures should be taken at face value. The actual movement of earnings has taken the form of a very slow and gradual climb to a 9 per cent per annum rate of increase, and has not reflected at all closely the gyrations of the RPI.

Yet any influence, whether large or small, tending to boost pay settlements is one we need like a hole in the head. There are enough pressures as it is for labour market insiders to fix high rates of pay at the expense of depriving unemployed outsiders of jobs.

As for the financial markets: they have so far ridden through short-term inflationary alarms. This can be seen both from the strength of sterling and the stability of long-term interest rates. But overseas confidence will be put to an unnecessary test if it has to withstand announced inflation rates of 7 to 8 per cent, the reasons for which are not properly understood.

Overseas bankers and financial advisers in my experience express little alarm, or even knowledge, about the UK current payments deficit. On the other hand, they show concern about inflation and very small understanding of the effects of housing on the RPI.

And no wonder. Mortgage interest payments are excluded from the main consumer price indices in the US, Germany and all the Group of Seven countries apart from Canada.

How then should owner-occupied housing be treated in the RPI? There is an interesting analysis in a paper, Measurement of Owner Occupiers' Shelter Costs, by Penelope Rowlatt of National Economic Research Associates (18 Park Street, London W1Y 3WD).

Dr Rowlatt, who was formerly concerned with these matters at the Treasury, points out that the RPI is meant to cover prices actually paid. It normally excludes the cost of credit and expenditure on investment. Yet the only payments made for accommodation by owner-occupiers are the cost of acquisition and the cost of credit.

Her own view is that no suggested method satisfies the full RPI criteria. Her paper states that complete omission of owner-occupiers' shelter costs should be considered.

More moderate reform is also possible. One suggestion would be to treat the acquisition of a house as the purchase of a consumer durable. This would involve incorporating an index of house prices into the RPI, with a weight corresponding to the proportion of households purchasing a new home in any given period.

A more indirect approach would be to include the imputed rent of what an owner-occupier would have to pay for shelter. Because of the state of the home rentals market in Britain, this could not be done directly as it is in the US. Instead, a rentals index would have to be based on house prices and some representative long-term interest rates.

Thus, both approaches incorporate house prices in the RPI, one directly, the other indirectly. Indeed it feels right that some account should be taken of them in an index of the "cost of living," but with the gyrations resulting from fluctuating credit costs omitted.

One wonders how long the UK Retail Prices Advisory Committee, which in 1986 turned down Treasury suggestions for changing the treatment of mortgage interest, is for this world. It would be too blatant to do anything about this last bastion of corporatism while the present RPI is soaring. But I would not put very much on its continued existence into the 1990s.

No redesign of the RPI can come in time to help the Chancellor with the 1989 inflation bulge. The only way to reduce the shock of the forthcoming figures is to publicise not merely the underlying inflation rate, but also to warn people of the full horror of the blip to be expected in the unadjusted RPI in the coming months. Then, when it occurs it will no longer give rise to such horror or have such news value.

If the need to explain the economic indicators conflicts with the requirements of the Chancellor's traditional pre-Budget purdah, so much the worse for purdah. His job is to explain just as much as it is to adjust taxes or interest rates. At the present juncture the explanatory role is paramount.

Even if Mr Lawson does not personally care what the pack of his slighted critics are saying, it is important to draw their teeth for the wider good of the economy.

Filling in the holes

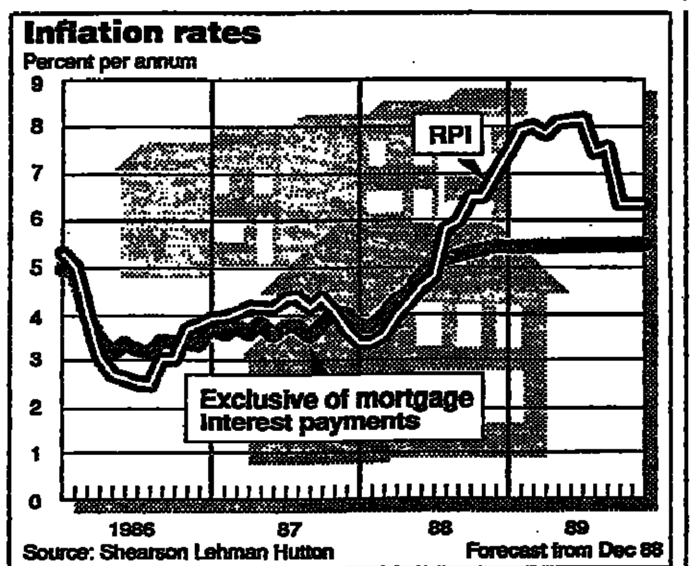
The Thatcher Government is the main sufferer from its own reluctance to put resources into improving official statistics. For the effect of the notorious gaps which have developed in between the various measures of national income is to downgrade the economy's performance, especially in the boom year of 1988 – a year which is crucial to any assessment of the whole economic record since the Government came to office and of any judgment of the supply side "miracle".

The forthcoming efforts of the Central Statistical Office to produce a balanced set of accounts cover only 1985 to 1987 and leave out 1988 when the discrepancies are greatest. Gavyn Davies and David Walton of Goldman Sachs have stepped into the breach with an impressive estimating effort of their own.

Their basic principle has been to follow the CSO's own view that the output measure of GDP is most reliable for recent periods and to boost most those expenditure items which have been revised upwards by the CSO in boom periods.

The result, shown in the table, is to boost the 1988 GDP growth rate to 5 per cent. The item which increases most is fixed investment, which is estimated to have risen by 19 per cent rather than the likely official estimate of 9 per cent. This is easily the largest investment increase in a single year, the previous record being in 1964 (when the Home Government lost office).

Goldman Sachs is less helpful to the Chancellor on the 1988 current deficit, which it is only prepared to revise down to £11½bn because of under-recorded invisibles. But I doubt if we have heard the last of the wrangles about this overrated indicator.



Source: Shearson Lehman Hutton Forecast from Dec 88

KEY ECONOMIC DATA

	1988 % increase	
	CSO	GS revised
Consumers' expenditure	5.5	6.0
Fixed investment	9.3	19.1
Domestic demand	6.2	7.8
Exports (gds/servs)	0.9	4.3
Imports (gds/servs)	13.2	14.6
GDP (exp based)	1.3	5.0
Current account	-14.5	-11.5
Savings ratio(%)	3.4	3.0

Based on published data for 1988 Q1-Q3, with estimates for Q4. Source: Goldman Sachs

Third World debt

There is no alternative to forgiveness

By Robin Monro-Davies

In the six years since the debt crisis started, significant strides have been made in insulating the world's major banks from the impact. The table below shows some of the more crucial figures. As may be seen, capital has grown, reserves have increased and exposure as a percentage of capital has fallen dramatically. It is also notable that, despite many criticisms of the banks, they have increased lending over the period by more than 30 per cent. All these trends have continued in 1988.

This extra lending, which was an integral part of the Baker plan, was aimed at allowing indebted countries to grow their way out of their problems. Unfortunately, although new money has, technically, allowed most countries to avoid default, it appears increasingly clear that, with a few exceptions, sovereign borrowers cannot or will not be able to fully service their debts. As bankers have come to accept and then to support this view, the logic of advancing more money indefinitely has become less attractive and the buzz words amongst less developed countries are now "debt reduction".

Given the current economic state of many LDCs, this can occur in only two ways other than the relatively limited debt swap programmes now under way. Either these countries buy their debt back in the market at substantial discounts or they are granted some kind of formal debt forgiveness. I submit that the next few years are primarily going to be taken up with the task of reducing the outstanding debt of LDCs in as elegant and seemly a manner as possible. Since both governments and banks have a horror of the word "forgiveness", strenuous attempts will be made to avoid actually using it. However, de facto we are now embarking on a period in which many billions of dollars of country borrowing are going to be forgiven in one way or another.

Sherlock Holmes argued that, if all other solutions have been rejected as impossible then the one that remains, however improbable, must be the answer. Analogously, if all suggestions as to how LDCs should service their debt have been rejected and it has been accepted that there just is no way they can fully service it, then an important step has been taken in countering the many arguments of the protagonists of the sheer impossibility of debt reduction/forgiveness. They may consider it impossible, but the fact is there is no alternative. Nevertheless, those who propound these arguments of impossibility have considerable force on their side. Indeed, if the debt problem had not been so exceptionally difficult, it would surely have been solved long before now.

The most obvious way of implementing debt forgiveness is to tie it to progress in terms of crucial economic measures. Up to now, the main theoretical carrot in debt negotiations, enshrined in the plan proposed by Mr James Baker when US Treasury Secretary, has been the offer of new money only to countries which achieve certain goals set in externally imposed economic plans. Unfortunately, the Baker Plan carrot, if not poisoned, was at least badly worm-infested: all it has done is to entice countries further into debt.

WORLD'S TOP 100 BANKS		
$ bn	1982	1987
Net profits	16	30*
Equity capital	146	300
S American & Mexican exposure	182	237
Bank provisions	0	65
Net exposure/equity (%)	125	57

*estimated

Source: IBCA Banking Analysis

A sensible alternative would be to come to a series of bilateral agreements between indebted countries and their lenders. These would establish that, if certain specified economic norms are achieved, then a certain percentage of the debt will be forgiven, with the possibility that, if all goals are achieved, debt forgiveness of perhaps 25 per cent to 50 per cent will occur. It is to be hoped that such a system will involve sufficient carrot – in the form of phased debt forgiveness – to keep a debtor country on a prudent economic path. It might indeed, with luck, lead into a virtuous economic circle, with the reduction in outstanding debt resulting in improved economic performance and thus further reductions in debt.

For such a plan to have a chance of success there is one essential ingredient, which up to now has been missing. All lenders must agree to act in unison, with no priority given to different types of lending institution. Ideally, such a plan of debt forgiveness would be co-ordinated by the World Bank, but it would have no chance of success if the World Bank and other multinational and government lenders did not agree to enter into it on the same terms as the major banks.

Of course there are problems with such a programme. For example, would the lenders have sufficient political clout to refuse to forgive debt if a country failed to produce the improvement in performance it had agreed to?

Also, is there a risk that other, essentially sound countries would start to ask for the same treatment? Above all, are the inherently weak political structures in Latin America capable of dealing with such externally imposed programmes for any length of time? The example of Argentina is not encouraging.

However, although there are difficulties, the ineluctable fact remains that debt reduction/forgiveness is going to occur. It can either be arranged in a reasonably well-structured way, minimising the risk of shocks to the world's banking and trading systems, or it can occur on an ad hoc basis, thereby maximising the damage.

It is in the interest of everybody that it is the first alternative which actually happens, but the precedents for unified, sensible action in this field are not encouraging.

The author is managing director of IBCA Banking Analysis, a UK-based rating agency

LETTERS

National training effort remains muddled

From Mr P.J.C. Perry.

Sir, The warnings in your editorials ("Why training needs a lift," December 30, and "The training challenge," December 6) are timely.

The success of the Government's impending £4m advertising campaign for "Employment Training" and the new national training structure outlined in "Employment for the 1990s" are both founded on Mr Norman Fowler's belief that employers are now willing to take the lead in voluntarily financing the national training effort on the scale and with the consistency needed to sustain it at the required level.

The Employment Secretary's confidence is not supported by the facts. Moreover, it is contradicted by our entire historical experience.

This fact was recognised in the Industrial Training Act 1964. Its framework of industry training boards and the levy/grant system contained many flaws, but – as Dr Chris Lamb has indicated (Letters, December 28) – it contained the essential elements of a solution, which merited progressive reforms rather than piecemeal abolition.

The present position can be traced back to the conclusion in "Training for the Future" (1972), that "a permanent shift in attitude (to vocational training) in British industry has been secured", and that as a result the levy/grant system could safely be discontinued.

The subsequent return to "voluntarism" has signally failed to produce the required – promised – results. (The conclusions of the present, as yet unpublished Manpower Services Commission/Training Agency inquiry into the funding of vocational education and training should throw further light on this subject.)

There is need, of course, for substantial public funding of vocational training. What one looks for in vain in the white paper is a policy on the division of responsibility for the national training effort, in which all parties are fully aware of their respective roles and accept their obligations, either voluntarily or, if necessary, by legislative requirement. Exhortation is not enough.

It is not the non-training firms which should be blamed, but the system which perpetuates our chronically unsatisfactory position.

Firms play the game according to the prevailing rules. If the national interest is seen to demand it, the rules should be changed – instead of blaming the players.

Certain vital national services have always been seen to require some form of statutory funding. Sooner or later we shall have to accept the fact that vocational training is one of them.

P.J.C. Perry,
40 Beechworth,
Willesden Lane, NW6

Diesel cars: less power, higher tax

From Mr John Thurston.

Sir, Mr Lionel Altman (Letters, December 17) makes some good points on the taxation of company cars, but omits one of the most un-*Equitable General*-isations within the regulations.

Diesel cars are taxed on the same cubic capacity bands as petrol engines. I presume that taxation bands based upon the cubic capacity of the car's engine were used as a rough determination as to the power the engine produced, and thus the size of the car. This logic may just possibly be tenable if all cars were powered by the same fuel and produced the same power outputs (bhp) per litre. A diesel engine produces less bhp per litre than a petrol engine, although at the same time it has a greater thermal efficiency and a better specific fuel consumption. Thus, for a given bhp a diesel engine uses less fuel but has a higher taxation rate.

Specifically, the following cars are probably equivalent in performance: Sierra 1.6 petrol engine and Sierra 2.3 diesel engine; Escort 1.4 petrol engine and an Escort 1.8 diesel engine.

Diesel engine users are conserving the world's energy resources. The company owning the vehicle may well have efficiency improvements and costs savings, but the driver of the car has to bear a higher level of taxation. I hope that this taxation can be changed, and the Treasury will accept Mr Altman's suggestion that both independent and industry sources should be utilised before embarking on measures which could further complicate and distort taxation.

John C. Thurston,
Watts Group,
High Street,
Lydney, Gloucester.

'The carers need to feel cared for'

From Dr Adrian Heald.

Sir, Doctors have always enjoyed a privileged position in society. The basis of their standing is the provision of a unique service to the public: the relief of pain and suffering, hastening of recovery for disease and, one hopes, lengthening of life. In addition – and this is crucial to the issue of working hours for junior doctors – they do not put up business shutters at 5.30 on a Friday afternoon.

House officer and senior house officer jobs involve a big commitment of time and energy, with long shifts. These offer an unsurpassed opportunity for gaining a broad base of clinical experience, and the chance to establish relationships with patients during their hospital stay. Further: spending many hours on the ward or in the casualty department makes possible a camaraderie with nursing and medical colleagues which can do much to overcome the weariness of a long shift.

The nature of the "on-call" situation which dominates the life of the hospital doctor is very variable, involving anything in terms of "parish" from a few patients on a rehabilitation ward, to responsibility for any medical or surgical emergency arising in a district of 300,000 people. Obviously there are doctors who are greatly stressed because of the – seemingly relentless – pressure of hours and accountability. It is up to all of us to ensure that this situation does not continue indefinitely.

The house officer is the point of convergence for all departments in the hospital concerned with patient care, from laboratory technicians and radiographers to social workers. Moreover, he or she is the main contact the in-patient has with the medical profession. As such, a house officer must have the resources to integrate, each day, all the information gathered from these encounters into an effective scheme of client care.

It is not possible to attain this level of achievement during all the 100 hours of a working week.

The successful operation of any hospital depends on a contract of understanding between junior doctors and those who manage the institutions. On the doctor's part it entails the highest standards of efficiency and professionalism when interacting with patients. On the part of the policy makers, at least three areas should be addressed:

● Environment: provision of a high standard of communal facilities for doctors on call, into which they can step out of the fray for a few minutes of relaxation and privacy and enjoy refreshments more substantial than those produced by the average coffee dispenser.

● Hours: setting up an organisation to provide on-going review of hospital jobs at all grades, to which doctors have easy access, so that problem areas can be singled out and measures taken accordingly.

● Career: organised training programmes (which exist in other parts of the world), so that having passed through a selection procedure to registrar level, doctors can (so far as possible) be guaranteed a consultant job in the end.

Most people in the medical profession maintain the highest ideals in their everyday work. In order to bring these ideals to full fruition, they need to feel that someone cares for the carers.

A.H. Heald,
Ward 6E,
John Radcliffe Hospital,
Headington, Oxford.

FINANCIAL TIMES
Thursday January 5 1989

Accord on human rights conference

By Robert Mauthner in London and Stewart Fleming in Washington

THE US and Britain have agreed in principle to an international human rights conference in Moscow in 1991 on condition that the Soviet Union maintains its recent progress on human rights.

The decision, announced yesterday in London and Los Angeles, where President Ronald Reagan is spending a working holiday, removes one of the last obstacles to the opening of East-West conventional troop negotiations in Vienna. It should also enable the Vienna review conference on security and human rights issues to be concluded at ministerial level on January 17-19.

Two years ago the Soviet Union proposed an international human rights conference in Moscow in 1991. It linked approval of its suggestion to the completion of terms of reference for new negotiations on cuts in conventional forces.

However, the US, Britain and several other countries strongly opposed holding the conference in a country where they claimed some basic human rights were not being respected.

The US and Britain now both admit that the progress made by the Soviet Union in this field since 1986 has been substantial.

Last week a US State Department spokesman referred to "the significant positive actions on human rights" by the Soviet Union in recent months. Moscow had freed 600 political prisoners since 1986, allowed large numbers of Jews to emigrate and stopped jamming Western radio broadcasts to the Soviet Union and the Eastern bloc.

The British Government's statement yesterday also noted that the great majority of family reunification cases had been resolved, that 17,000 Jews had been allowed to emigrate from the Soviet Union in 1988 and that all political prisoners "under the explicitly political and religious articles of the criminal code" were being released.

"Nonetheless, much remains to be done and we shall continue to monitor the reforms carefully between now and 1991," the statement said. By that time, Britain expected to see that the promised changes in Soviet criminal legislation had been implemented; that there were effective guarantees of free speech, freedom of religion, freedom to emigrate and genuine judicial independence; that people were no longer imprisoned for their political and religious beliefs and that there were no remaining long-term "refusenisks" who were denied the right to emigrate.

Another condition for the Moscow human rights conference was that it should be held in exactly the same conditions as similar meetings in the West.

It is generally expected that agreement on the thorny issue of the human rights conference will open the door to the adoption of the "mandate" for the conventional arms reduction talks.

However, two remaining problems need to be overcome before agreement can be reached: Romanian objections to the religious freedom provisions of the final document and whether the whole or only a part of Turkey should be covered by the negotiations on arms cuts.

Chinese racism surfaces violently

Colina MacDougall examines the prejudice against Africans

LESS THAN 100 years ago China's leading modern thinker of the time, Kang Youwei, proposed that the powerful "silver" and intelligent "gold" races – Westerners and the Chinese – should fuse through intermarriage but that the black peoples of the earth should be sent off to the northern tundras for 1,000 years or so until their skins grew acceptably pale.

While even in China this bizarre idea never caught on, it still reflects the hostility and contempt felt by many Chinese even today for Africans and their lifestyle.

In the past couple of weeks these emotions have surfaced violently, most recently in Peking's Institute of Foreign Languages where on Tuesday Chinese students held a protest march accusing African students of molesting Chinese women and put up posters calling for "blood for blood".

A Chinese girl had allegedly been chased through her dormitory by a black student in search of "fun", and was hurt in a fall. Yesterday the 500 black students at the institute boycotted classes to protest against detention of four Africans in Nanjing following racial trouble there.

Since 24 December a race rumpus involving black students, Chinese and the police has spread progressively through four Chinese cities which unless skilfully handled looks set to cause a big diplomatic row between Peking and African governments.

The headquarters of the Organisation of African Unity in Addis Ababa on Tuesday summoned the Chinese ambassador to ask him to intervene in what it called an "appalling situation", while the Libyan embassy in Ethiopia announced an offer by Col Muammer Gadaffi of 1,500 scholarships for study in Libya to all African students currently in China.

Yesterday African diplomats in Peking had still received no reply to requests made earlier for a meeting with Chinese Foreign Ministry officials to discuss the treatment of black students. On Tuesday, Mr Mamah Gobi Bio, First Secretary at the Benin Embassy, revealed that one Benin student at Nanjing had been sentenced to 15 days' prison without trial for his part in the clash there.

The only official Chinese statement made so far on the Nanjing troubles described the outburst as an isolated incident which had nothing to do with racism. Chinese and African diplomats in Peking both seem anxious to allow the troubles to subside without any further action on their part – the Chinese because they are concerned to defuse student unrest in general and the Africans possibly because they still feel beholden to Peking.

The Japanese, also sometimes targets of Chinese violence, are reported to have evacuated their families from Nanjing and Hangzhou. In the Sino-Japanese war of the 1930s, Nanjing was the scene of pillage and slaughter by Japanese troops.

Present troubles started in Hehai university in Nanjing where on Christmas Eve two Chinese women invited to an African students' party refused to show identification to the doorkeepers. An all-night fight broke out in which 11 Chinese reportedly were injured.

This was followed by violent demonstrations by thousands of Chinese students and workers in the city chanting "Blacks go home" and "Down with black devils", and the retreat of 130 Africans to a guest house on the edge of city where they were held under virtual house arrest.

A few days later reports surfaced of racial trouble in the east China city of Hangzhou, saying that 50 African students were refusing to leave their dormitory and demanding to go home because they were ostracised as "AIDS carriers."

Peking students protest over alleged molestation of Chinese women by African students

Wuhan, the huge industrial conurbation on the central Yangtse, was also said to be fraught with racial unrest.

Particularly unpleasant are the reports – so far unconfirmed – of the treatment of students in Nanjing who were stripped by police and beaten with electric cattle prods, a new favourite weapon of China's security services used recently on Tibetans.

While African students have been going to China for many years, Chinese attitudes to blacks continue close to the medieval. There are still stories of Chinese approaching Africans to see if the black will rub off.

Black students say the Chinese treat them as if they have only just come down from the trees. In a society where a pale skin is regarded as proof of an indoor life and hence of good family or brainpower, a dark colour is the sign of a natural drudge.

There is no recognition in China that Africans might have a culture of their own. This kind of arrogance is obvious also in China's treatment of its own minorities, notably the Tibetans, who the Chinese regard as unenlightened and uncivilised, if not completely barbarous.

This is the third outbreak of racial tension in China in less than three years. In mid-1986 a furious row erupted at Tianjin University in north China when African students belted out music at a party as Chinese students were working for exams. Two weeks later, 200 African students marched through Peking to protest.

In January 1987 African students again marched in protest at a letter (officially said to be a fraud) from a Chinese students' association which threatened to "teach them hard lessons" for having insulted Chinese girls and introduced "manners acquired by life in tropical forests".

This is the reality behind the decades of Chinese propaganda about Third World solidarity.

Ford seeks acquisition to boost worldwide prospects

By Charles Leadbeater and Kevin Done in London

FORD MOTOR of the US, the world's second largest automotive concern, is seeking a substantial acquisition to complement its automotive and financial services businesses.

A confidential report to senior management says Ford is pursuing "the addition of a third major business enterprise" to provide "greater growth prospects and income stability." Last year Ford earned a record $4.6bn net on a turnover of $71.6bn.

In 1985 it was outbid by General Motors in the battle to acquire Hughes Aircraft, one of the leading defence electronics groups.

The Ford strategy document, signed by Mr Donald Petersen, Ford chairman and chief executive, and Mr Harold Poling, vice-chairman and chief operating officer, says Ford intends to be a "leading and growing competitor in financial services worldwide".

Financial services accounted for 18 per cent of Ford profits in 1987.

Ford is seeking to become the world's "premier automotive transportation-services company," the report says, and is aiming to increase emphasis on its truck business, particularly the light truck operations in what is one of the fastest-growing sectors of the North American automotive industry.

The strategy is outlined in the first Issues and Strategies report, a monthly bulletin for senior Ford executives created after calls for improved internal communication at the company's worldwide management meeting in Tucson, Arizona, last January.

Mr Petersen and Mr Poling stress that Ford, the most international of the world's automotive groups, must move further to "employ our worldwide resources and capabilities fully, efficiently and to a greater extent than any of our competition."

The company, under its "centres of responsibility" strategy, is attempting to draw together worldwide design and engineering resources.

The first test for this strategy is the development of the next generation Ford Escort in North America, in which the lead in a joint development is being taken by Mazda, Ford's 25 per cent-owned Japanese affiliate.

In addition, Ford of Europe is taking the lead in developing a compact/upper medium-sized car to replace the Ford Tempo/Mercury Topaz in North America and the Sierra in Europe.

Ford's North American operations will take the lead in developing a successor for Ford of Europe's Scorpio/Granada executive car.

This strategy, says the report, is aimed at minimising duplication of effort, improving utilisation of resources and reducing costs and development time to match Japanese car makers' superiority in bringing products quickly to the market.

The primary focus will be on "common product development, component commonality, and worldwide sourcing flexibility," the report says.

Ford says that five subsystems are critical in its bid to achieve customer recognition and market leadership – engines, transmissions, body structure and skin, electronic subsystems for body, chassis and power train, and suspensions.

The company is also seeking "a network of co-operative associates" with other automotive concerns to enhance its market presence and competitive strength.

This strategy has begun to bear fruit through Ford's engagement in Mazda in Japan, its 50-50 Autolatina venture with Volkswagen in South America and its growing links with Nissan of Japan in North America, Europe and Australia.

Ford is also changing radically its relationships with its suppliers.

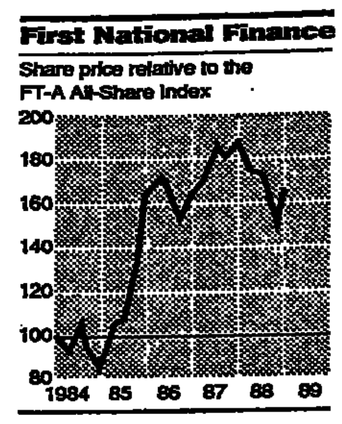
THE LEX COLUMN

The shrinking world of broking

The latest swing of the axe from Security Pacific is a sharp reminder of how global strategies can fall apart in the securities industry. Taken with the earlier retreat from private client broking, yesterday's withdrawal from gilts, Eurobonds and Japanese equities leaves SecPac only the original Hoare Govett equity business in the UK and Hong Kong, and minority stakes in brokers in Canada and Australia. Yet another London broking firm, expensively acquired and expanded, is being more expensively reduced to smaller scope than it started with.

Individually, the decisions look sensible enough. SecPac could be right in looking at least three years out for a return to sanity in the gilt market, and the old Hoare gilts business had in any case quite failed to make the transition from broker to market maker. There was also little future for a start-up Eurobond operation which could neither originate nor distribute securities, or indeed for a 50-strong Japanese broking business attacking Nomura and Daiwa on their home ground. On the other hand, each of the three shows signs of mismanagement, as does the fact that all three were subjected to half-hearted trimming six months before closure.

It all places an obvious question mark over the main London securities business, still carrying the burden of 1,000 or so employees. Hoare claims 11 per cent of London's equity market making and 6 per cent of its institutional business, putting it at the lower end of the big league. It could be an expensive position to maintain; but SecPac's alternative – to retreat to the status of a regional bank – seems scarcely more palatable.



United Biscuits

With any stock other than United Biscuits, a one-day rise of 13 per cent in abnormal volume could mean only one thing. But with UB we have been here before; last July and October the price also shot up to the 320p level, only to collapse again when no stakebuilder appeared. It is still quite possible that one will pop up this time, though surely unlikely that it will be the market's current favourite, Suchard. But it could be just be the market grappling once again with its UB dilemma: the conviction, post-Rowntree, that the shares must be worth 500p to somebody, and the persistent failure to make the numbers add up.

The problem is twofold. It would be hard for anyone to run UB's chief businesses more economically, in production terms especially; and unlike Rowntree, UB has never managed to crack the problem of international branding. Its 50 per cent-plus share of the UK biscuit market is not a European opportunity, but a problem in terms of the UK competition authorities, who could certainly use it (and UB's 30 per cent share of the snack market) as grounds for referral if they felt so minded. Even at 321p, UB is only on 11 times this year's earnings – a couple of points below Cadbury, which already has a real aggressor on its share register. UB is plainly cheap should a bid come along, but it would not do to count on it.

FNFC

If First National Finance Corporation's full year figures are any guide, the Bank of England is going to have to yank base rates up to 16-17 per cent if it really wants to halt the UK consumer credit boom. As the biggest and best known consumer/property lender to escape from the secondary banking crisis of the early 1970s, FNFC has been through the really tough times, and 13 per cent base rates are not causing it any pain. Perhaps there is a touch of bravado in its decision to raise its dividend by almost a third, when its earnings for the year to end October are only 14 per cent up; but it is hard to see what will stop its earnings growing by a similar amount in the current year.

Admittedly, its first mortgage business has dropped by 50 per cent since the autumn rise in base rates, but this has been offset by continuing strong credit demand in areas where it is an industry leader, such as home improvement loans and secondary mortgages to finance debt consolidation. The rise in mortgage rates has certainly stemmed borrowing for non-house purchase, which accounted for as much as 40 per cent of mortgage lending last year, but if FNFC's experience is matched in the rest of the industry, traditional consumer lending remains surprisingly robust.

Oil

A spot of trouble in the Middle East no longer means trouble on the spot oil market, and the brief movement in the oil price yesterday was a pretty perfunctory acknowledgment of falling US bombs. Instead, the stealthy $2 rise in Brent over the past month is unusually linked to the black stuff itself. The recent loss of 200,000 b/d of North Sea production has been part of it; but the main concern is the whereabouts of last year's Opec overproduction. This has yet to turn up in inventory figures, and the market is coming round to the view that it has vanished. Were that the case, the oil price should be $18 or so; but if the oil trickles into the January stock figures, some seasonal New Year weakness would seem unavoidable.

DSM

The Dutch Government does not have many nationalised industries to sell, so it seems out to make the most of what is available. The sale of DSM, the biggest flotation ever on the Dutch market, has been neatly timed to coincide with a great leap forward in DSM's highly cyclical chemical earnings; and yesterday's indicative price range suggests a greater desire to please the taxpayer than the potential investor.

The price now seems likely to be struck at about DFl 110, which would mean an earnings multiple of a bit over six, only half a point lower than Akzo and less than two points below ICI. Given that DSM is still overwhelmingly a commodity producer, that gap may scare off not only the stags, but some of the serious holders too. Still, hype can do a great deal, and the vendors have evidently mastered the UK privatisation trick of creating an impression of scarcity. That is all the more remarkable as the Government is planning to follow the Dfl 1.5bn sale with a similarly big slice by the year end – with luck, in time to catch the chemicals cycle before it turns.

Dollar rises as tension mounts

Continued from Page 1

between 8⅜ per cent and 8¾ per cent against 9⅛ per cent at midsession yesterday.

Seasonal pressures, which have boosted the Fed Funds rate, are supposed to dissipate as this week progresses but Fed Funds have remained firm, intensifying speculation that the Fed has tightened again.

Tomorrow's US employment report is regarded as an important indicator regarding Fed action. After evidence of vigorous economic growth in December, some economists have revised up their estimates to a 300,000 gain in the non-farm payroll from a 250,000 increase earlier this week.

The pound fared better than most other major currencies. It rose 1¼ pfennigs to close at DM3.23, despite losing nearly 1⅓ cents to close at $1.8075. The Bank of England's trade-weighted sterling index was unchanged at 97.9.

London to draw off-exchange share deals under regulations

By Norma Cohen in London

INTERNATIONAL equity deals by London Stock Exchange members which escape the scrutiny of the various national securities regulatory bodies are to be drawn into the regulatory net under rules proposed by the Securities Association, the Exchange's self-regulatory body.

Off-exchange transactions do not have to be reported by the firms involved. But this will change from April 3 under draft proposals drawn up by the Association.

The draft rules, on Transaction Audit Trail Reporting, cover all transactions by members except those conducted on other major international exchanges regulated by approved authorities.

Detailed information about off-exchange transactions, including the identification of individual client accounts, will have to be reported through the Stock Exchange's Sequal and Checking mechanisms.

The rules are aimed in part at preventing firms from "shopping" for the system with the most lax reporting requirements.

They will make it easier for securities regulators to track illegal activities across national borders. The Securities Association has recently signed memorandums of understanding with securities regulators in other countries, including the US, Japan and West Germany, allowing them to share information.

Regulators in those countries will be able to request the transaction information in search of possible violation of their own securities rules.

While the Financial Services Act does not specifically require collection of data about off-exchange business, the Securities Association argues that it is required to have sufficient information to carry out its duties. It cannot enforce key aspects of the Financial Services Act, such as the requirements for best execution, without the information, it maintains.

Firms will be required to specify the date and time of transaction, quantity, price, counterparty, transaction price and currency. Clients need not be identified to regulators by name but must be individually coded.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	10	50	Dubrovnik	S	11	52	Malta	F	15	59	Rhodes	S	09	48
Algiers	R	09	48	Edinburgh	S	06	43	Manchester	R	08	46	Rio de J'o	C	31	87
Amsterdam	C	06	43	Faro	S	15	59	Manila	F	32	90	Rome	F	13	55
Athens	F	06	43	Florence	S	06	43	Melbourne	C	15	59	Salzburg	S	04	39
Bahrain	F	17	63	Frankfurt	F	03	37	Mexico City	F	24	75	San Francisco	R	15	59
Bangkok	F	34	93	Funchal	F	18	64	Miami	F	28	82	Seoul	F	02	36
Barcelona	C	09	48	Geneva	C	01	34	Milan	S	05	41	Singapore	C	31	88
Beirut	F	13	55	Gibraltar	R	15	59	Montreal	C	-10	14	Stockholm	C	05	41
Belfast	C	04	39	Glasgow	F	08	46	Moscow	Sn	-1	30	Strasbourg	S	05	41
Belgrade	S	-1	30	Guernsey	F	10	50	Munich	S	04	39	Sydney	F	25	77
Berlin	F	02	36	Helsinki	C	02	36	Nairobi	C	24	75	Taipei	C	18	64
Biarritz	S	13	55	H. Kong	C	20	68	Naples	S	11	52	Tangier	S	17	63
Bombay	S	29	84	Innsbruck	S	01	34	Nassau	F	28	82	Tel Aviv	S	11	52
Bordeaux	F	06	43	Inverness	F	05	41	New Delhi	F	22	71	Tenerife	F	19	66
Brussels	C	03	37	Islamabad	R	11	52	New York	F	04	40	Tokyo	C	10	50
Budapest	S	-1	30	Istanbul	F	03	37	Nice	S	10	50	Toronto	S	-22	-8
B Aires	F	34	93	Jakarta	R	30	86	Nicosia	F	08	46	Tunis	C	13	55
Cairo	C	14	57	Jersey	R	10	50	Oporto	C	09	48	Valencia	S	10	50
Cape Town	S	33	91	Jo'burg	C	24	75	Oslo	C	01	34	Venice	Fg	00	32
Caracas	C	25	77	Lima	F	26	78	Paris	R	02	36	Vienna	Sn	-4	25
Casablanca	S	16	61	Lisbon	F	14	57	Peking	S	04	39	Warsaw	S	02	36
Chicago	C	-1	31	London	F	11	52	Prague	S	-1	30	Washington	S	-1	30
Cologne	S	07	45	Los Angeles	R	21	70	Reykjavik	C	03	37	Zurich	S	01	32
Copenhagen	C	03	37	Luxembourg	C	01	34								
Corfu	S	10	50	Madrid	S	03	37								
Dallas	F	05	41	Majorca	F	15	59								
Dublin	S	10	50	Malaga	C	14	57								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Airbus in $3.5bn deal with Braniff

Continued from Page 1

letters of intent for a further 259.

Britain will gain a large share of the latest deal. British Aerospace, which has a 20 per cent stake in Airbus, builds the wings for the A-320. The engines for the 100 Braniff aircraft will be V-2500s, built by the IAE consortium. The deal brings to more than $1.5bn the value of V-2500s ordered for A-320s from seven customers.

Rolls-Royce said yesterday the IAE share of the deal would amount to more than $1bn over the life of the engines in service.

Four airlines have the A-320s in service – Air France, Air Inter, Ansett of Australia and British Airways. The previous biggest A-320 deal involved 100 aircraft for Northwest

Along with Rolls-Royce, the IAE consortium includes Pratt & Whitney of the US, Motoren und Turbinen Union of West Germany, Fiat Aviazione of Italy and Japanese Aero Engines.

The Airbus deal represents Braniff's latest step to rebuild its position in the US market. Over seven years, Braniff has survived bankruptcy, three changes of ownership, pop-art paint jobs and the move of its route hub from Dallas to Kansas City in its struggles to develop a market niche.

Its problems, however, were partly responsible for it becoming the airline with the lowest operating costs in the US.

The company's latest incarnation took shape last summer under the guidance of PaineWebber, the Wall Street investment firm with expertise in airline financing.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday January 5 1989

INSIDE

Not for those of a nervous disposition

From the rapids of South America to the jungles of South East Asia and the exotic warmth of the Mediterranean, the world's emerging stock markets offer excitement and danger to the adventurous investor. If the rewards are sometimes high, so are the risks, and investment in these youthful exchanges is not for the nervous. Potentially interesting markets this year are Brazil and Mexico, South Korea, Portugal and Greece, as Jacqueline Moore explains. Page 36

All that glisters in Saudi petrochemicals

Saudi Arabia's petrochemicals business, flagship of the kingdom's efforts to diversify from crude oil production, has reached something of a turning point. Sabic, the giant state-controlled combine with a monopoly of production and sales of primary petrochemicals, is showing a sparkling performance. But, according to private sector businessmen and other industry observers, its triumphs are disguising problems facing Saudi industry and the private sector's role in it. Page 18

Chicago goes with the grain

Last year's US drought was very bad news for cereal farmers in the Midwest, but it was just what the doctor ordered for futures traders in Chicago's grain pits. These thrived on the soaring prices and trading volumes which resulted. With stock levels much reduced another interesting year is on the cards Page 24

Southern looks at hostile waters

The next few weeks might not be smooth sailing for Britain's Southern Water Authority which is poised to launch hostile bids for up to three private water companies in its region. Southern's action follows a court ruling which appeared to open the way for takeover bids by the authorities. The water companies are appealing against the judgment. Page 23

Home sweet home loan

FIRST NATIONAL

Mr Richard Langdon, chairman of First National Finance Corporation, believes the nature of the company's business means it is insulated from the worst effects of the UK Chancellor of the Exchequer's higher interest rate policy on demand for consumer credit. Announcing a 29 per cent increase in pre-tax profits to £68.7m ($125m) for the year to October, 1988, he said the outlook for home improvement lending was good as home owners, hit by higher mortgage charges, decided to alter their existing houses rather than move. Page 22

Market Statistics

Base lending rates	32	London share service	30-31
Benchmark Govt bonds	19	London traded options	21
European options exch	32	London tradit. options	21
FT-A indices	21	Money markets	32
FT-A world indices	36	New int. bond issues	20
FT int bond service	21	World commodity prices	24
Financial futures	32	World stock mkt indices	33
Foreign exchanges	32	Unit trusts	28-29
London recent issues	21		

Companies in this section

A&M Group	23	Keep	23
Akzo	18	Kelt Energy	22
Armstrong Equipment	22	Klockner Packaging	23
Avdel	22	Ladbroke Group	22
Banner Industries	22	Leswon Mardon	18
Benlox Holdings	22	Metal Closures	23
Bentley Photo-Litho	23	Morgan Grenfell	22
Bowater Industries	23	Oswal Agro Mills	19
Cambrian & General	22	Pearl Group	23
Carless	22	Philips & Drew	22
Cazenove	22	Priest (Benjamin)	22
Central & Sheerwood	22	Procolor	18
Cheung Kong	19	RWE	18
Clayhithe	23	Sabic	18
County NatWest	22	Smith & Nephew	23
First National Fin	22	Smiths Industries	23
Green Island Cement	19	Southern Water Auth	23
Hanson Industries	22	Spies Rejser	19
Harvey & Thompson	23	Textron	22
Hoffmann-La Roche	18	Tjaereborg	19
Hollas Group	23	Tysons	22
Inco	18	Union Carbide	19
Jefferson Smurfit	22	Uralita	18
		Wardle Storeys	22

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
BMW	542	+	10	Hachette	288	+	15
Conti-Gummi	279	+	5.4	Lesieur	2397	+	168
Daimler-Benz	765	+	18	Maison Phenix	88.8	+	8.4
Feldmuehle	295	+	7.5	Pechelbronn	1140	+	76
Nixdorf Comp.	307	+	8.3	**Falls**			
Falls				Credit-Lyon.CT	466	–	13
Viag	247	–	5.6	Locafrance	425	–	14
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
CSX Corpn.	32⅞	+	⅝	Japan Aviation	1880	+	290
Fed. Express	52⅝	+	2	Teisan	1670	+	200
F'port-McMoRan	28⅞	+	1⅞	Toyama Chem.	1300	+	130
Genentech	16⅞	+	¼	**Falls**			
Marion Labs	21⅞	+	⅞	Mitsui Steel	990	–	80
Falls				Osaki Elect.	1280	–	60
Integd. Device	9¾	–	2	SMK	715	–	35

New York prices at 12.30.

LONDON (Pence)							
Rises				MB Grp.	259	+	8
Armstrong Eq.	183	+	6	Marley	149½	+	8½
Barr (A.G.)	733	+	20	Racal Elect.	288	+	12
Benlox	61	+	7	Robinson (Thos)	368	+	13
Burmah	490½	+	9½	TACE	168	+	10
Capital Radio	532	+	28	Tate & Lyle	825	+	10
Fisons	238	+	7	Utd. Biscuits	321	+	35
Greycoat	410	+	13	Western Motor	365	+	18
Hanson	156½	+	2	**Falls**			
ICI	£10¼	+	⅛	Iceland Frozen	285	–	6
Johnstones Pts.	187	+	23	Ladbroke	427	–	5
Laing Props.	451	+	10				
Lucas Inds.	517	+	8				

Caught in stormy seas with the wrong crew

Clive Wolman and Simon Holberton explain *how Hoare Govett came to grief in gilts*

Only three years ago Hoare Govett was one of the three largest and most successful gilt-edged stockbroking firms of the pre-Big Bang era, alongside Phillips and Drew and W. Greenwell, with a share of more than 10 per cent of total commission business.

Its strengths were both in the quality of its research and its sales staff. But since the market was transformed in October 1986, the firm has lost market share fairly steadily.

It failed to acquire a firm with jobbing or market-making experience and decided against recruiting any large teams of traders from other firms. Instead it mainly redeployed and re-trained its own salesmen as traders.

In the first year after Big Bang, the firm's share of customer business was held at around 6 per cent.

The firm lost heavily by taking a large bull position in gilts after the June 1987 election. But most of the losses were recouped when the market turned up at the time of the equity market crash in October.

The £25m ($45m) losses suffered by Hoare Govett's equity operations in the crash led to more active management involvement by Security Pacific, the Californian bank which had been building up a controlling stake in the firm since 1982.

It bought out the minority stake held by Hoare Govett's directors and began introducing its own employees to senior management positions.

This in turn provoked a series of senior departures from both the fixed interest and equities divisions. Mr Roger Livesey resigned in December as overall head of the fixed interest operation.

Mr Ian Abrams, the head of gilts trading, was recruited to head up Nomura's incipient gilt-edged market making operation and the firm's senior long bond trader also left.

The loss in market share continued at an accelerating pace particularly in the middle of last year when the staff involved in the fixed interest operation was cut from 200 to about 150.

Mr Peter Voss, the new chief executive, said that the effect of the cuts were to reduce market share from about 4.5 to 2.5 per cent, but that the trading activity that was removed was making no profit contribution.

By the last quarter of 1988, market share had shrunk further to only 2 per cent and the Security Pacific management team decided that the outlook for the market as a whole was so bleak that the operation would have to be shut by the year end.

Hoare Govett's total trading losses from gilts over the two years since Big Bang were said to be less than £5m.

The £25m of capital dedicated to the business will be withdrawn and allocated to what the company describes now as its "core" businesses: corporate finance, swaps, banking and UK equities.

The exit of Hoare Govett leaves just 22 market-makers in the gilts market and follows closely on Morgan Grenfell's decision to quit the market in December.

The latter's operation was of higher quality than that of Hoare Govett, which one executive described as "lacklustre", but the underlying reasons for pulling out of the market were similar.

The outlook for the market deteriorated during 1988. It became apparent that the Government would no longer be an issuer of debt, but a net redeemer of that debt.

Analysis of the Government's finances suggested to many that it was now in structural surplus and would continue to produce a surplus over the next three to five years – pointing to the steady contraction of the market.

In that context it was difficult to justify a continuing presence in the market which required the commitment of a large amount of capital (on which little or no return was being earned), and the attendant fixed costs associated with staff, both dealing and settlements, and the maintenance of the sophisticated technology needed to deal in the market.

With high costs and a lack of turnover and volatility in the market, quitting the arena was the only option.

As Mr Voss said, if the company wanted to bet against the Bank of England or the next move in interest rates then that was a Treasury function for which one did not need primary dealer status.

The move out of Eurobonds also reflected a declining presence in that market together with an inability to see any future returns from a continued presence in it.

Mr Voss said: "We have to be in something to which we can contribute value. We don't have a 15-year history in the market or a private bank in Switzerland."

The withdrawal from the gilt-edged market has been only one of a series of mishaps that Hoare Govett has suffered since Big Bang.

Its most serious management failures were in the setting up of a large-scale private client service, DealerCall, which was linked with an independently-run settlements operation, Financial Clearing and Services (UK), (FICS), owned by Hoare Govett.

FICS was set up to settle all Hoare Govett's bargains and also to offer settlement services to other firms wishing to sub-contract.

The Hoare Govett directors badly underestimated the costs of handling large volumes of small bargains – which reached a peak with the privatisation issues in early 1987 – and misunderstood the type of organisation required.

The difficulties were compounded by the failure of FICS whose technology was based rigidly on that used by Security Pacific in the US, which in any case was of variable quality.

The result was a mounting backlog of unsettled bargains and bad small client debts.

The losses were getting out of control before the firm decided to wind down both FICS and the large private client operation.

The latter was eventually sold last autumn for a tiny sum to British and Commonwealth, after Security Pacific spent six months looking for a buyer.

The only rays of light over the last year have appeared in the equity and corporate finance departments which have been slowly rebuilt after suffering a potentially destabilising wave of defections in the early part of last year.

In the 12 months ending in November, the equity division received revenues of nearly £45m and corporate finance had fees of between £15m and £20m.

The equity division had a 6 per cent share of agency stockbroking commissions and an 11 per cent share of market-making turnover with outside customers. Corporate finance has become increasingly involved in giving advice in addition to its more traditional stock market related work.

These results were enough to make the two operations marginally profitable before the allocation of general overheads.

Even so, the results offer both poor returns and poor prospects to Security Pacific which spent more than £80m on buying Hoare Govett.

It also represents a poor performance for the stockbroking firm which had the most comprehensive research coverage of almost every industrial sector in the pre-Big Bang era – and which was rated as the third most active corporate finance broker in the City.

GILT-EDGED MARKET MAKERS

Firm	Holding company
Aitken Campbell (Gilts)	Union Discount
Alexanders Laing and Cruickshank Gilts	Credit Lyonnais
BT Gilts	Bankers Trust International
Baring Wilson and Watford	Barings
Barclays de Zoete Wedd Gilts	Barclays Bank
Cater Allen Securities	Cater Allen Holdings
Chase Manhattan Gilts	Chase Manhattan
County Natwest Gilt-edged Securities	National Westminster Bank
CSFB (Gilts)	Credit Suisse and First Boston*
Daiwa Europe (Gilts)	Daiwa Securities
Greenwell Montagu Gilt-edged	Midland Bank
Gerrard & National Securities	Gerrard & National Holdings
Goldman Sachs Government Securities (UK)	Goldman Sachs
James Capel Gilts	Hongkong & Shanghai Banking
Kleinwort Grieveson Charlesworth	Kleinwort Benson Lonsdale
Merrill Lynch Government Securities	Merrill Lynch
J.P.Morgan Sterling Securities	Morgan Guaranty International Finance
Nomura Gilts	Nomura Securities
Phillips and Drew Mouldsdale	Union Bank of Switzerland
Salomon Brothers UK	Salomon Brothers
Shearson Lehman Brothers	American Express
Warburg Securities (Gilt-edged)	S.G.Warburg

*(In the process of merging)

UK group buys stake in French steel mill

By Richard Tomkins in Birmingham

A SMALL UK engineering company is to make an unusually bold foray into continental Europe, providing evidence that British companies of all sizes are taking 1992 seriously.

CI Group, manufacturer of steel and engineering products which made pre-tax profits of just £3m ($5.5m) in the year to January 1988, said yesterday it was acquiring a piece of France's nationalised steel industry for an undisclosed sum.

The UK company is buying Société Metallurgique de Brevilly, a hot-rolling mill employing 120 at Ardennes, near France's border with Belgium.

With annual turnover of about £7.5m, SMB is not particularly large. But the significance of the acquisition is that CI's turnover was just £39m last year and it has no previous experience of manufacturing overseas.

CI is based in Wolverhampton, part of England's heavily-industrialised West Midlands. The region's myriad small businesses are characterised by a long tradition of dependence on the domestic economy, in particular, the UK motor industry.

The one-time Cooper Industries, however, has widened its markets significantly since Mr Cedric Grew, now chief executive, took over as managing director four years ago.

Several small acquisitions have built up a group whose products include compression moulding presses, steel strip, perforated metals, industrial flooring, packaging machinery, mechanical handling systems and pressure gauges.

Mr Grew says the French acquisition is an ideal fit with its Bromford Iron and Steel subsidiary. Both produce hot-rolled steel, the raw material for a wide range of engineering products, but Bromford makes flats and angles while SMB offers more sophisticated special sections.

The plan is to combine the two mills' product ranges, thus giving SMB access to the UK market and improving Bromford's penetration into France and the rest of continental Europe.

Mr Grew acknowledged that managing CI's first overseas acquisition would present challenges. "But it's no good being parochial about this ... we are exporting significantly into Europe.

"The most important thing is that if you are going into Europe, then it's got to be an industry you know well," he said. "Clearly there will be problems with SMB being in France... But this is a business we know inside out."

GAF implicated in insider case

By Anatole Kaletsky in New York

MR BOYD JEFFERIES, one of the US Government's star witnesses in the wide-ranging insider trading and securities fraud prosecutions, took the witness stand for the first time this week to explain how he perpetrated an alleged stock manipulation scheme for GAF, large US chemicals concern.

GAF, headed by the corporate raider Mr Samuel Heyman, and Mr James Sherwin, its vice chairman, have been charged with criminal stock manipulation, following the company's takeover bid for Union Carbide. Mr Heyman has not been charged with any wrongdoing.

The testimony of Mr Jefferies, who was formerly head of the powerful institutional stockbroking firm, Jefferies & Co, began on Tuesday and continued yesterday morning in a Manhattan courtroom packed with some of America's top criminal and securities lawyers.

It was the first public statement by any of the key figures in the rapidly expanding insider trading investigations which began nearly three years ago with the arrests of Mr Denis Levine, a Wall Street investment banker, and Mr Ivan Boesky, the imprisoned arbitrageur.

His evidence was therefore eagerly awaited, not only by GAF, but also by other defendants and potential defendants embroiled in the insider trading scandals.

Apart from implicating GAF and Mr Sherwin, the tone of Mr Jefferies' testimony gave the impression that stock price manipulation was almost a routine service for some of his top clients.

In addition to GAF, other Jefferies clients and associates already charged with crimes have included Mr Paul Bilzerian, now chairman of Singer, Mr Salim Lewis, and Drexel Burnham Lambert, big Wall Street investment house.

In the Manhattan courtroom, Mr Jefferies explained how he had been asked by Mr Sherwin whether he could manipulate the market price of Union Carbide stock, which GAF was anxious to dispose of at a profit.

"Mr Sherwin called and asked, in substance: if they wanted Union Carbide to close for a specific price for several days, could that be done?" Mr Jefferies testified. "I said, yes and Mr Sherwin said, 'We'll make up any losses'."

Mr Jefferies added that a few days later, on October 29 1976, Mr Sherwin called again and said: "'Do you think you can close Union Carbide at 22?' and I said, 'Sure, I think so'."

Both GAF and Mr Sherwin have denied any wrongdoing.

DSM issue could raise Fl 1.4bn

By David Brown in Heerlen

DSM, the Dutch state-owned chemicals group which will go public on February 1 in the biggest flotation in the Netherlands' history, will offer 12m shares at between Fl 105 and Fl 118 per share.

The first tranche of a two-stage flotation will involve 34.3 per cent of the outstanding shares now held by the state and could raise between Fl 1.2bn and Fl 1.4bn ($603m and $704m) for the Dutch Government, estimated Amsterdam-Rotterdam Bank, which is lead managing the issue, for which there is an international syndicate.

Of these shares, roughly half are to be "targeted" for the international market, says Mr F. Hoogendijk, Amro's managing board chairman for international affairs, with the remainder earmarked for domestic institutional and private investors.

The price range is roughly in line with the expectations of many analysts, but somewhat below the going rate on the Amsterdam bourse of seven to eight times earnings. The final price will be announced on January 25.

Analysts said the indicated price range was aimed at easing investors' concern about DSM's continuing dependence on commodity chemicals and the limited rights enjoyed by shareholders of Dutch companies in general.

Like its bigger competitor, Akzo, DSM's earnings have benefited from a robust economy and generally firm prices on its mainly European market.

DSM, 16th largest European chemicals producer, yesterday forecast a net profit for 1988 of some Fl 600m, which corresponds to earnings per share of Fl 17.1, on sales of Fl 10bn. Its prospectus suggests 1989 results "may be higher."

Amro expects DSM to earn at leasts Fl 750m this year and has estimated a dividend of about Fl 5.50 per share. This compares with the Fl 4.80 which is being paid to the Dutch Government for 1988, excluding a one-off payment of Fl 350m in connection with the privatisation.

Mr Hendrikus Van Liemt, chairman of DSM, conceded that the group is vulnerable to business cycles as a result of its dependence on bulk chemicals, and said its ability to diversify further into speciality chemicals, and reduce its dependence on sales in Europe, was "restricted" in the short term.

A second, similar, tranche of shares is planned, assuming positive market conditions, between August this year and May, 1990. Lex, Page 16

La Roche invests $60m in US cancer project

By William Dullforce in Geneva

HOFFMANN-LA ROCHE, the Swiss chemicals group, is investing an initial $60m in a new plant in Freeport, Texas, to produce beta-carotene, a substance which may be able to act as a cancer inhibitor.

Beta-carotene, a product which is widely used as a natural colourant in foodstuffs and beverages, is also gaining importance in the pharmaceutical market.

Roche, which is the world leader in carotinoids such as beta-carotene, said yesterday the plant was aimed at consolidating its presence in the US and meeting growing world demand for the substance.

The US National Cancer Institute has initiated 14 studies into the role of beta-carotene in preventing cancer.

A recent article in the New England Journal of Medicine reported that people with a low level of beta-carotene in blood were twice as likely to develop a certain form of lung cancer as those with high levels.

Start-up of the plant is scheduled for the second half of 1992. It will have an annual capacity of 350 tonnes of pure beta-carotene and can be extended to produce vitamin A and related intermediate substances.

Roche estimates that the plant will cover US needs for beta-carotene and meet some export requirements.

● Sapac, the Canadian holding company whose shares are twinned with those of Roche, is to raise its dividend to SFr725 per share from SFr660 for the year to last September, John Wicks adds from Zurich.

The company, which is registered in the province of New Brunswick but has its head office in Montevideo, controls Roche group subsidiaries outside Europe. An increase in the Sapac dividend generally indicates a rise for the corresponding calendar year in that of the Basle-based parent.

Inco launches C$494m 'acid rain' programme

By Robert Gibbens in Montreal

INCO, the Canadian metals group, has begun a C$494m (US$415m) programme to reduce sulphur-dioxide emission from its Sudbury nickel-copper smelting operations in Ontario by 60 per cent by 1994, as called for under government acid rain regulations.

The world's largest nickel producer has spent around C$150m since 1980 on developing techniques and equipment to achieve the reduction. It said completion of the programme would enable it to reduce its smelter labour force to about 7,500 from 8,000, and reduce energy costs.

Emissions will come down from 685,000 tonnes a year to 265,000 tonnes by 1994. The capital cost of equipment will come from Inco's internal resources.

The group has already invested C$69m in milling process improvements, and the remaining C$425m will go for oxygen flash smelting furnaces, a new sulphuric acid plant and additional equipment.

● Repap Enterprises, Canada's fastest-growing pulp and paper group and one of North America's top three coated paper producers, is negotiating again with the Manitoba Government for acquisition of the Manfor pulp mill and packaging plant at The Pas, Manitoba.

Repap began talks with the Government last autumn, but the takeover depended largely on favourable financing terms. The 20-year-old mill had to be taken over by the province from the original European backers soon after start-up. With the upsurge in pulp prices in 1987-88, however, it has begun to show profits for the first time.

Sparkling Sabic dogged by private sector sceptics

Robin Allen on problems facing Saudi Arabia in its diversification into petrochemicals

SAUDI ARABIA'S petrochemicals business, the flagship of the kingdom's efforts to diversify from crude oil production by developing downstream industries, has reached something of a turning point.

On the one hand, Saudi Arabian Basic Industries Corporation (Sabic), the giant state-controlled combine with a monopoly of production and sales of primary petrochemicals, is putting up a sparkling performance. It is likely to have trebled profits in 1988 from the previous year's record SR1.08bn ($288m) and remains on target for further growth. According to independent analysts, Saudi Arabia's ethane-based industries now account for some 23 per cent of world trade in ethylene products.

But on the other hand, according to private sector businessmen and other industry observers, Sabic's successes are disguising the very real problems facing Saudi industry and the private sector's role in it. They risk blinding the Government to the basic aims of its industrial strategy as outlined in the 1986-90 five-year plan, which was to encourage the private sector to invest in secondary and downstream industries drawing feedstock from Sabic.

Most of the country's petrochemical industries came on stream in 1985. Since then the kingdom's advantages of modern efficient plant and cheap energy combined with rising demand and prices in consumer countries have brought Sabic to the forefront of industrial companies. World ethylene prices for example, 20 to 25 US cents per lb last February, rose to 35 cents by September. Sabic's break-even point is just 16 cents.

The problems the country's planners now have to face involve a mixture of technical, financial and political factors:

● The restricted level of oil output allowed under the Organisation of Petroleum Exporting Countries (Opec) production-sharing agreement, and a consequent lack of associated gas, particularly ethane, as cheap feedstock for both primary and secondary industries.

● The price at which gas feedstock is to be made available to the private sector, and Sabic's role in the pricing structure.

● The kind of incentives to be offered by the Government to the private sector.

The lack of cheap raw materials is probably the single biggest deterrent at present to the emergence of private sector downstream industries. The feedstock for Sabic's industries are ethane and methane. These are obtained mainly from the associated gas that is a natural part of crude oil production.

Most of the available methane goes to Sabic as feedstock, and the end-products – chemical-grade methanol or fertilisers, and most recently MTBE, a lead-free and much-favoured high-octane booster in petrol – are exported. All the available ethane goes to three Sabic companies, Saudi Yanbu Petrochemical Company (Yanpet), Saudi Petrochemical Company (Sadaf) and Arabian Petrochemical Company (Petrokemya).

The problem is that under Opec's recent production quota agreement, the kingdom will not be able to pump more than 4.524m barrels a day (b/d) of crude. As one analyst in the Jubail industrial complex remarked: "If it was able to produce 7m b/d, there would not only be enough gas but the ethane, the most suitable and cheapest feedstock for downstream industries, would be richer."

In the last two years production and export sales of Sabic's primary industries have been pushed beyond design capacity, to the great benefit of Sabic shareholders. But it has meant there are now acute shortages of ethane at the current level of crude production.

The shortages have compelled Sabic to find alternative energy sources such as multiple feedstocks, but these are many times more expensive than ethane, and when high Saudi production and transport costs are added, the kingdom loses its competitive edge.

In theory, all users of gas should have access to it at the same low price that Sabic pays. But private sector businessmen claim they simply cannot get hold of the feedstock. Sabic, they say, takes it all.

The resulting poor response from the private sector has made an invidious task for the Royal Commission for Jubail and Yanbu, the landlord of the industrial cities. Under its secretary-general, Prince Abdullah Bin Faisal Bin Turki Al Saud, a nephew of the King, it has been energetic in trying to lure domestic and foreign companies to invest in the cities. Some expect Prince Abdullah to retire from the commission early this year to return to the private sector. When he goes, the commission will lose an effective leader. His successor will be faced with a struggle no less uphill than his.

Private sector businessmen complain that Sabic is too greedy in holding on to manufacturing licences for downstream products such as polypropylene, formaldehyde, and ammonia, which according to government strategy formulated in the 1970s should go to private sector companies.

To further encourage the private sector, it is argued, Sabic should make feedstock available at subsidised, not market, prices. Businessmen say their case is, theoretically at least, supported by the Government. Explicit statements urging the private sector to invest at home have been regularly made by officials since King Fahd raised the issue at a conference of Saudi businessmen in Riyadh in 1985.

If the interest is lacking, the money most certainly is not. The Saudia Arabian Monetary agency (Sama), the quasi-central bank, in its latest annual report put the amount of Saudi private capital abroad at $64bn.

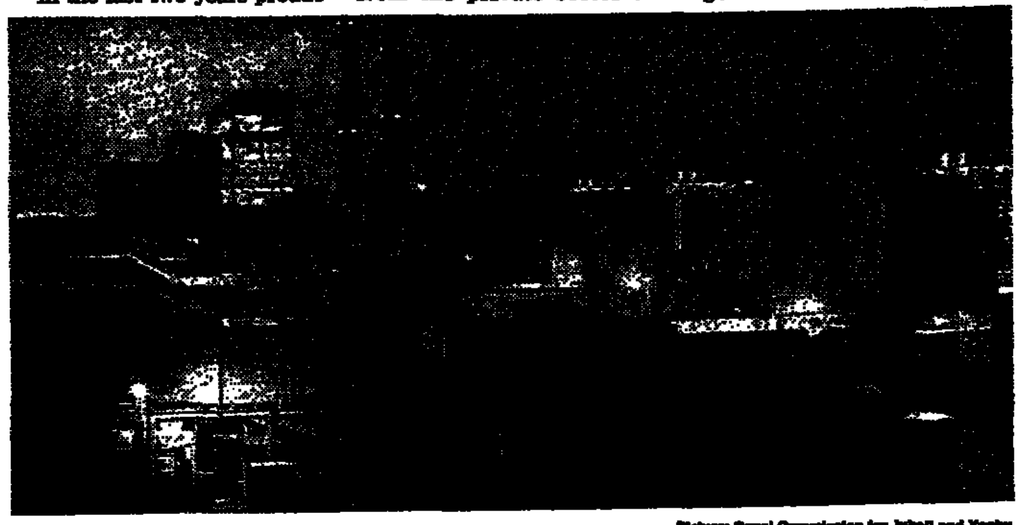
Should the Government actively intervene on behalf of the private sector, it is pointed out that the quantities of feedstock the private sector would require from Sabic would be negligible. "Why is Sabic so worried?" asked one analyst in the kingdom.

In response, it is argued that private Saudi players can never be significant in world plastics because they are so small. What count are the economies of scale.

Furthermore, Sabic, which is currently 30 per cent owned by the Saudi public, will become progressively more owned by private shareholders. To act in their, and the country's, best interests, Sabic feels it should be left with its licences to compete in world markets.

But that should not preclude the Saudi private sector from participating in those many downstream products where the world's giants such as ICI and Exxon – and Sabic – do not compete.

"Sooner or later," said one Jeddah businessman, "the Government will have to come down in favour of the private sector and find a way to get Sabic to subsidise feedstocks to investors." Only that way will the country benefit from the tremendous value-added savings from manufacturing downstream products rather than simply pumping out petrochemicals from primary industries and continuing to import finished goods.



Picture: Royal Commission for Jubail and Yanbu

A facility at Yanbu, one of the kingdom's industrial cities where Sabic produces petrochemicals

RWE confirms big reactor safety costs

By David Goodhart in Bonn

RWE, West Germany's largest electrical utility, has confirmed that it will have to spend several hundred million D-Marks over the next few years on new safety systems for its pressurised water reactor at Biblis, near Frankfurt.

Biblis was recently at the centre of a big public argument about nuclear power when it was revealed that an accident at the plant, which could have led to a core meltdown, had been covered up.

After intensive investigation over the past few weeks it seems likely that Biblis will be switched on again later this month. However, the state nuclear authority is insisting that RWE bears the full cost of changes to the safety systems.

Newspaper reports have put the cost as high as DM500m ($284m). RWE said it was impossible to give precise figures but it would be more than DM200m over an unspecified period. The company was the tenth most profitable in Germany in 1987, with group net profits of DM779m.

Akzo buys rest of Procolor

AKZO, the Dutch chemicals producer, has taken full control of Industrias Quimicas Procolor, a leading Spanish paint supplier, by buying a half share held by Uralita, a construction holding company, writes Our Financial Staff.

Akzo has held 50 per cent of Procolor since 1986. It said Procolor had an annual turnover of between Fl 150m ($75.3m) and Fl 200m.

Canadian packaging link

By Maggie Urry

LAWSON MARDON and Margo American Packaging Corporation, two Canadian-based packaging groups, have formed a joint venture company which will specialise in pharmaceutical, cosmetic and tobacco packaging.

The company, called Lawson Margo Packaging, will be based in Quebec and have assets of C$15.6m (US$13m). The joint venture is being formed by combining the lithography unit of Lawson Mardon's subsidiary, Lawson Packaging Montreal, and Margo.

Margo serves the North American pharmaceutical and cosmetic makrets, while Lawson Mardon's strengths are in tobacco packaging.

INTERNATIONAL COMPANIES AND FINANCE

Chicago's traders battle for top posts

By Deborah Hargreaves in Chicago

TRUE TO Chicago's combative political tradition, the city's two major futures and options exchanges are currently embroiled in their own fierce election battles.

Members of both the Chicago Board of Trade (CBOT) and Chicago Mercantile Exchange (CME) vote on candidates for top posts next week in unusually contested elections, where "progressives" vie with representatives of the status quo.

At the CME where members vote for 12 board directors, who in turn select a chairman, two long-time CME traders are putting themselves forward. Mr Larry Rosenberg, CME first vice chairman since 1983, faces Mr John Geldermann, a long-time board member.

Both traders held the top spot in the mid-1970s, when financial futures were just starting at the exchange. Trading is now dominated by financial contracts, although business in stock index futures has been lower since the 1987 stock market crash.

Mr Rosenberg, who has been an active vice chairman during a period of rapid change, is widely considered to be too reforming for some CME board members, who are pushing Mr Geldermann.

Previous politicking led to the suggestion that CME rules be altered to allow the current chairman, Mr Jack Sandner, to run for a fifth term. But Mr Sandner crushed that initiative.

At the CBOT, where Mr Karsten "Cash" Mahlmann is running unopposed for a third term as chairman, the election battle centres around the vice chairmanship. The incumbent, Mr Patrick Arbor, is running as a special petition candidate after being passed over by the exchange nominating committee. The committee slated Mr Dale Lorenzen, a little known exchange trader, for vice chairman after a personality clash led to Mr Arbor, who has served two years as vice chairman, being neglected.

Mr Arbor says he is running as a progressive candidate and, among other measures, is pushing for the exchange to extend its trading hours to an early morning session.

Turkish bankers upset at capital adequacy moves

By Jim Bodgener in Ankara

TURKISH BANKERS are upset at a package drafted by the country's central bank to introduce stricter capital adequacy requirements along the lines of the Cooke report on international standards.

While not disputing the ultimate goal, they complain in a study issued by their association that the moves have too short a time-frame, and ignore differences between the Turkish banking sector and the developed world.

The central bank package is partly geared towards remedying the chronic bad debts plaguing the financial sector, especially among state-owned banks, with an eye to EC compatibility given Turkey's pending full membership application to the Community.

The Government is concerned that many banks are seriously undercapitalised, and if exposed to internationally accepted audits, immediately would be certified as insolvent.

The banks are particularly incensed over the package's requirement that fixed assets should be deducted when assessing their net worth, which would render most insolvent – the requirement is not even part of the Cooke model, one banker argued.

Broadly speaking, overdue receivables of banks, plus their property and commercial and industrial holdings or subsidiaries are to be excluded when assessing banks' liabilities against overall capital. This ratio has to be increased to 8 per cent from the present 5 per cent by 1992 – banks failing to do so by the end of the period will have a further six months' grace. The mandatory capital increases have to be met in cash.

The bankers' association at present is lobbying the Treasury, which according to the laws governing the sector. A decision is not expected on the issue until March, since both the central bank and other institutions will be working on annual accounts until then.

The position of foreign banks in Turkey would less affected by the new package, though more by default. So far, they have excluded from a loophole in the regulations allowing domestic banks to increase their capital by asset revaluation, which the package would close.

● In another part of the Government's attempts to restructure and streamline the state banking sector, Emlak Bankasi is to take control of Tobank through the purchase of shares in Tobank held by Ziraat Bankasi and Halk Bankasi. The formerly private-sector Tobank was rescued from its bad debts through a buy-out by three state banks led by Ziraat in early 1987.

Li Kashing wins Green Island

By Michael Marray in Hong Kong

MR LI KASHING'S Cheung Kong Holdings is to move compulsorily to full control at Green Island Cement, the leading Hong Kong cement producer, after succeeding in its cash offer which closed on December 30.

Cheung Kong now controls 95.7 per cent of Green Island, valued under its HK$20 per share offer at HK$2.03bn (US$260.3m).

Acceptances were received in respect of 38m shares, which together with 8.2m shares bought in the market after the offer was announced, represents some 45.6 per cent of Green Island's capital.

Green Island is one of the 33 stocks which make up the Hang Seng Index, the barometer of the Hong Kong stock market, and a replacement constituent is now being sought.

Green Island has an estimated 50 per cent share of the local cement market.

Oswal Agro Mills to buy Union Carbide complex

By K.K.Sharma in New Delhi

OSWAL AGRO Mills, the fast-growing textile-based group of North India, is to enter the petrochemicals sector by buying Union Carbide's profitable petrochemicals and alcohol complex in Bombay.

Announcing this at a special meeting of shareholders in New Delhi, Mr Abhey Oswal, chairman of Oswal Agro, also said that the company's board had decided to pay a 50 per cent interim dividend for the year to last June even though bonus shares had been issued in the ratio of three-for-five in 1988.

The Union Carbide petrochemicals complex is the only one of its kind in the country's private sector. Its annual turnover is estimated at Rs6bn ($402m). The facility is separate from Union Carbide's disaster-struck Bhopal complex.

In order to meet part of the capital expenditure on the modernisation and expansion of the Bombay complex and also to set up downstream, Oswal Agro plans to launch a rights issue of convertible bonds for a total face value of Rs3.09bn.

It has the option to retain oversubscriptions to the extent of 15 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-30	+2/32	10.83	10.89	11.00
		8.750	9/97	91-29	+3/32	10.18	10.10	10.21
		9.000	10/08	97-02	-10/32	9.33	9.23	9.26
US TREASURY*		8.875	11/98	97-28	+3/32	9.20	9.19	9.12
		9.000	11/18	99-07	+4/32	9.07	9.00	9.13
JAPAN	No 105	5.000	12/97	98.6596	-0.291	4.78	4.77	4.59
	No 2	5.700	3/07	109.8518	-0.319	4.79	4.77	4.75
GERMANY		6.750	8/98	100.7760	+0.175	6.66	6.60	6.61
FRANCE	BTAN	8.000	10/93	97.9125	+0.057	8.53	8.59	8.57
	OAT	9.500	5/98	105.3500	+0.175	8.63	8.67	8.78
CANADA*		10.250	12/98	100.0000	-	10.25	10.15	10.13
NETHERLANDS		6.7500	10/98	100.8750	+0.050	6.70	6.60	6.58
AUSTRALIA		12.500	1/98	97.4611	+0.025	12.96	12.87	12.52

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Spies Rejser acquires rival tour operator

By Hilary Barnes in Copenhagen

SCANDINAVIA'S two largest tour travel operators have come under the same ownership through the acquisition by Denmark's Spies Rejser of the Tjaereborg travel group, a Danish rival.

Terms of the deal were not disclosed.

The two companies together carry about 1.3m Nordic passengers on inclusive tour holidays a year, a figure which will make them the fourth largest group in Europe, said Mr Erling Brodersen, managing director of Spies.

The two, which will continue to operate separately, are about equal in size. Combined turnover will be about DKr5bn ($728.9m) and the staff will be about 3,000.

INTL. APPOINTMENTS

Fed names board chairman for 1989

THE FEDERAL Reserve Bank of New York, the central bank for the US, has named Mr Cyrus R. Vance chairman of the board of directors for 1989.

He succeeds Mr John R. Opel, executive committee chairman of International Business Machines, who had been chairman of the Fed's board for the past two years and was first named to the board in 1981.

The Fed Board of Governors reappointed Ms Ellen V. Futter, who is president of Barnard College, as deputy chairman of the Fed for this year.

Mr Vance served as Secretary of State during President Carter's term of office. In 1962-63, he was Secretary of the Army, while between 1964-67 he served as Deputy Secretary of the US Defence Department. He has also had a distinguished career in the private sector.

* * *

CONSOLIDATED Rail, the former nationalised US freight rail company floated on the stock market in March last year, named Mr Richard D. Sanborn chairman and chief executive officer, with effect from January 1.

Mr Sanborn, 52, will retain his existing role of president. He is replacing Mr L. Stanley Crane, 73, who is retiring.

* * *

THE BOARD of American Medical International, the US hospitals group, appointed Mr Richard A. Gilleland chief executive officer, with effect from January 16.

Mr Gilleland, 44, has served since August, 1986, as chairman, president and chief executive of Intermedics, based in Texas, which is a developer of implantable biomedical devices.

He succeeds at AMI Mr Royce Diener, who was reinstalled on an interim basis last August by AMI's board as chairman and chief executive. Mr Diener previously served as chief executive from 1975 to 1985 and as chairman from 1979 to January last year.

* * *

FERRARI, the sports and racing car manufacturer 90 per cent-owned by Italian car giant Fiat Spa, appointed Mr Piero Fusaro as its chairman. He is currently managing director of Fiat's Alfa-Lancia division.

Mr Fusaro, 49, replaces Mr Vittorio Ghidella, who announced his resignation in November.

* * *

AMERICAN Stores, the third-largest US grocery and drug retailing chain, elected as chief executive from January 29 Mr Jonathan L. Scott, vice chairman. He replaces Mr L.S. Skaggs, who will continue as chairman.

To ensure a smooth transition for the new management team, the board officially requested that Mr Skaggs, who recently reached the company's mandatory retirement age of 65, continue to serve on the board for a minimum of four years and remain chairman.

Mr Alan D. Stewart will assume new titles in the company of president and chief operating officer.

INTERNATIONAL CAPITAL MARKETS

Heavy flow of new issues shows no signs of abating

By Norma Cohen

EUROBOND MARKETs have *abandoned their year-end lethargy* as underwriters rushed to cash in on investor demand for high-coupon currencies.

In the first two business days of the year 11 issues totalling A$760m have hit the markets with coupons peaking at 15¼ per cent for two-year paper. Also, three Eurosterling deals totalling £300m were launched yesterday, bringing the week's volume in that currency to £375m while two more Canadian dollar bonds were launched.

Demand for the dollar block of currencies is particularly strong from continental Europe where investors have decided that downside risk on the currencies is more than compensated for by bond yields substantially above those available in their own domestic currencies.

However, dealers noted that these retail-oriented currencies tend to sell much more slowly than issues targetted at institutional investors, and the market is probably close to saturation point.

Two large long-term Eurosterling issues were launched for UK corporates. Granada Group, the consumer electronics firm, issued a £75m 30-year bond while Trafalgar House, the UK property development firm, issued a £100m 25-year deal.

Both issues were launched at a spread of 170 basis points over the UK Treasury's 9 per cent stock due 2008 – a pure coincidence according to S.G. Warburg Securities and Kleinwort Benson, lead managers of the two issues respectively.

INTERNATIONAL BONDS

The issues are designed like domestic securities and are targetted to UK pension fund and life insurance fund managers who need long term assets to match their liabilities. The shortage of long term gilts has depressed yields – and consequently *portfolio yields* – creating a pocket of demand.

The underwriters chose to *offer the securities* as Eurobonds to take advantage of the reduced reporting requirements for those securities as well as certain tax advantages. The issues are essentially bought deals, with Warburg choosing not to syndicate its issue.

Also launched yesterday was a £125m five-year floating-rate note for Cheltenham and Gloucester Building Society, the UK's 10th largest. Lead manager UBS Securities assigned a coupon of 1/16 over three-month London interbank offered rates and priced the issue at par with fees of 30 basis points. Dealers said the margin on the securities is somewhat tight, noting that recent building society paper has had a margin of ⅛.

However, high short-term interest rates in the UK have created strong demand for floating-rate sterling paper. Especially popular for is building society paper because bank investors are allowed to have *slightly less capital for those* positions.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
AUSTRALIAN DOLLARS						
State Bk of Sth A'tralia◆	75	15¼	101⅜	1991	1¼/¾	Hambros Bank
IBM Australia Credit◆	75	14⅜	102	1993	1¾/1⅛	Westpac Banking
WestLB Int.◆	75	14½	101½	1992	1½/1	WestLB
Rural&Ind.Bk W.A'tralia◆	*60*	*15¼*	*101⅝*	*1991*	*1¼/¾*	*Merrill Lynch*
CIBC◆	50	15¼	101⅜	1991	1¼/¾	Wood Gundy
Olivetti Int.◆	30	14½	101¾	1993	1¾/1⅛	Bayerische Vereinsbk
Issue increased:						
Nat. Australia Bk(a)◆	150	14¾	101⅞	1994	2/1¼	Hambros Bank
CANADIAN DOLLARS						
Int. Thomson◆	125	11½	101.85	1994	1⅞/1¼	ScotiaMcLeod
Bqe Nationale de Paris◆	100	11⅛	101.45	1992	1⅜/⅞	Deutsche Bk Cap.Mkts
NEW ZEALAND DOLLARS						
Svenska Handelsbanken◆	50	14¼	101⅞	1992	1½/1	Hambros Bank
STERLING						
Trafalgar House◆	100	10⅞	98.208	2014	2½/1½	Kleinwort Benson
Granada Group◆	75	11¼	101.162	2019	No fees	Warburg Secs.
Cheltenham & Glouc.‡◆	125	(b)	100	1994	30/15bp	UBS (Secs)
ECUs						
Ford Motor Credit◆	100	7⅞	101⅜	1993	1⅝/1⅛	Bqe Paribas Cap.Mkts
D-MARKS						
Eurofima◆	300	6¼	101½	1999	1⅞/1⅜	Deutsche Bank

‡Floating rate notes. ◆Final terms. a) increased from A$100m. b) 1/16 over 3m Libor.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93⅛	93⅝	−0⅜	−0⅝	10.06
A/S Eksportfinans 7¼ 92	150	92⅞	93⅜	0	0	9.97
B.F.C.E. 7 92	150	†92¼	92¾	+0⅛	+0⅛	9.79
Brit. Tel. Fin. 9⅜ 98	250	97⅜	97⅞	0	−0⅛	9.75
Canada 9 96	1000	†97⅛	97⅝	−0⅜	−0⅛	9.51
Canadian Pac 10¾ 93	100	†101½	102½	0	0	10.13
C.C.C.E 9¼ 95	300	97½	98	−0¼	−0⅜	9.74
C.N.C.A 9⅜ 93	150	98⅝	99	−0⅛	−0⅛	6.71
Credit Lyonnais 9 91	200	†98½	99	0	0	9.64
Credit National 8¾ 93	200	94½	95⅛	0	0	9.78
Credit National 7⅜ 92	100	93⅛	93⅝	−0⅛	0	9.79
Credit National 7¼ 91	150	†93½	94	−0⅜	−0⅛	9.79
Dai-Ichi Kan 9⅝ 92	150	99⅛	99½	−0⅛	0	9.85
Denmark 7⅛ 92	500	92⅜	92¾	−0⅛	0	9.98
E.E.C. 7 91	100	93⅛	93⅝	−0⅛	−0⅛	9.71
E.E.C. 7¼ 93	250	91⅜	91⅞	0	0	9.78
E.E.C. 8 90	350	†97¼	97¾	0	0	9.74
E.I.B. 7⅝ 93	100	91⅞	92⅜	+0⅛	+0⅛	9.70
E.I.B. 9⅜ 97	150	†97⅞	98⅜	−0⅜	−0⅜	9.69
Elec. De France 9 98	200	95⅜	95¾	−0⅛	−0⅜	9.75
Finland 7⅞ 97	200	†89¼	89¾	0	−0¼	9.81
Finland 7½ 93	200	91⅛	91⅝	−0¼	−0⅛	9.83
Finn.Exp.Cd. 8½ 92	200	96⅛	96⅝	0	+0⅛	9.85
Ford Motor Credit 8 91	250	*†96¼	96¾	0	0	9.94
Gen.Elec.Cap.Corp. 9 93	500	†96¾	97¼	+0⅛	0	9.79
Gen Elec Credit 10¼ 00	200	†99⅞	100⅜	0	0	10.21
Gen.Mtrs.Corp. 9⅛ 92	200	†98	98½	−0⅛	0	9.70
Halifax BS 9½ 93	200	†98	98½	−0⅛	−0⅛	9.97
IBM Credit Corp. 8⅞ 91	250	98⅛	98⅝	−0⅛	+0⅛	9.53
Italy 9 90	1000	*†99¼	99¾	0	0	9.44
Italy 9½ 95	1000	98⅜	98⅞	−0¼	−0⅛	9.77
Lib. Mutual Cap. 9⅛ 93	150	†97½	98	−0⅛	+0¼	9.71
L.T.C.B of Japan 8 91	100	95⅜	95⅞	+0⅛	+0⅛	9.95
L.T.C.B. of Japan 8 97	200	89⅛	89⅝	0	−0¼	9.98
Metropolis Tokyo 9½ 93	200	99½	100	0	+0¼	9.57
Morgan Guaranty Tst. 7 90	150	*†97⅛	97⅝	0	+0⅛	9.64
Nippon Tel.&Tel. 9⅜ 98	250	97¼	97¾	−0¼	−0⅜	9.77
Norway 8¾ 93	500	96½	97	−0⅜	−0½	9.72
Portugal 8¾ 91	300	†97	97½	−0⅛	+0⅝	9.66
Prudential Crp. 8¾ 94	125	†96½	97	−0⅛	−0⅛	9.51
Qantas Airways 10⅛ 95	140	†102	102½	−0⅛	0	9.86
Saskatchewan 10¼ 92	100	†102	102½	—	—	9.86
State Bk S Aust 9¼ 93	100	†97⅝	98⅛	0	0	9.89
Sumitomo Bank 9⅜ 92	150	99⅛	99⅝	+0⅛	0	9.80
Swed Exp Cred 7¼ 91	100	†93¼	93¾	−0⅛	−0⅜	9.89
Sweden 7 91	250	†93⅜	93⅞	−0⅛	−0⅜	9.72
Sweden 7 92	250	†92⅝	93⅛	0	0	9.75
Sweden 8¾ 96	200	94⅞	95⅜	−0⅛	−0⅛	9.73
Sweden 8½ 92	200	*†97⅝	97⅝	0	0	9.27
Victorian Rep 11⅝ 92	150	104⅜	104⅞	−0⅛	−0⅛	9.88
World Bank 7 92	300	†92⅞	93⅜	−0⅛	−0¼	9.69
World Bank 9 97	300	96⅛	96⅝	−0⅜	−0½	9.62
World Bank 9¼ 98	300	97⅛	97⅝	−0⅛	−0⅛	9.67
Yasuda Trust Fin 8½ 93	100	†94½	95	−0⅛	−0⅛	9.98

Average price change... On day 0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101⅞	102½	+0¼	+0⅛	5.57
Avis Fin.SVS 5⅞ 92	100	100¾	101¼	−0⅛	0	5.51
Bank of Tokyo 5¾ 93	100	101	101½	+0¼	−0⅞	5.40
Central BK. Turkey 7 92	200	104	104½	0	+0¼	5.70
Commerzbank o/s. 5⅜ 93	300	100⅛	100⅝	0	+0¼	5.27
Degussa Int. 6⅛ 97	200	100⅞	101⅜	+0¼	0	5.93
E.I.B 5½ 98	150	95⅛	95⅞	0	−0⅛	6.14
E.I.B 6 97	300	98⅞	99½	−0⅛	−0¼	6.12
E.I.B. 6⅛ 96	300	100	100⅝	−0⅛	−0¼	6.07
E.I.B. 6⅛ 97	400	99¾	100½	0	0	6.10
E.I.B. 6⅞ 95	300	104¼	104¾	−0⅛	−0¼	6.07
Euro.Coal & Steel 5⅞ 97	175	98	98⅝	−0⅛	−0½	6.15
Eurofima 6¼ 96	100	102½	103¼	−1⅜	−0⅛	5.76
Elec De France 5¾ 97	300	97⅞	98½	0	−0⅜	6.03
Forsmark Krtg. 5⅛ 93	200	98⅛	98⅞	+0⅛	−0¼	5.53
I.A.D.B. 6 97	200	99	99⅝	−0¼	−0½	6.11
Japan Dev. Bk. 5⅜ 95	300	99	99⅜	0	−0⅜	5.49
Japan Finance 5¾ 97	100	97⅛	97⅞	0	0	6.15
Ireland 6½ 97	300	101	101½	0	0	6.30
Malaysia 6¼ 94	150	99⅞	100⅝	0	0	6.18
Nat. West BK. PLC 6 98	300	97⅜	98⅛	0	0	6.32
N.H.L. Finance 6¼ 95	200	†99¾	100¼	0	−0¼	6.25
Nippon Telg.&Tel. 6 95	400	102	102⅝	−0¼	−0⅛	5.94
Oesters. Kontbk. 5 93	300	98⅝	99⅜	−0¼	−0⅜	5.28
Portugal 5⅜ 92	150	100⅛	100⅞	0	−0⅛	5.58
Portugal 6⅝ 95	150	101⅝	102⅜	−0½	−0⅛	6.24
Privatbanken 5¼ 93	150	97⅜	98⅛	0	−0¼	5.80
Royal Insurance 5½ 92	300	100	100½	−0¼	−0⅜	5.40
Soc Cent Nuclear 7¼ 95	150	103⅞	104⅛	−0½	−1¼	6.51
Turkey 6½ 95	500	97¼	98	−0¼	−0⅛	6.97
Westlb. Finance 5 93	200	†98¾	99¼	0	−0¼	5.27
World BK. 6¼ 97	600	100⅝	101	−0⅛	−0⅜	6.07

Average price change... On day −0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101	101½	0	+0⅛	4.79
Asfinag 5 03	100	†99¾	100¼	+0⅞	0	4.97
B.F.C.E. 4½ 98	200	†98½	99	0	+0⅛	4.66
B.M.W.Fin.Neth. 5 13	150	†96¼	96¾	−0⅜	0	5.26
Britannia B/S. 4¾ 94	100	†97	97½	+0⅛	+0⅛	4.80
CIR. Int. W/W 3 93	125	†96	97	+0½	+0⅝	3.85
Credit Lyonnais 4¾ 00	*100*	*†97½*	*97¾*	*0*	*+0⅛*	*5.03*
E.I.B 4⅝ 98	150	†99	99½	+0¼	0	4.72
Fletcher Chall. 4⅞ 98	150	†96½	97½	+0¼	+0⅛	5.29
Kobe City 4⅝ 98	150	†98	98½	+0⅜	+0⅛	4.86
Leeds Perm. B/S. 4⅛ 93	200	†97¼	97½	−0¼	−0⅜	4.81
Malaysia 5¼ 98	100	†98	99	0	−0⅜	5.45
Maxwell Comm.Crp. 5 95	150	†101	101½	0	−0⅛	4.76
Nat.Bk. Hungary 5½ 94	75	†98¼	98½	0	−0⅛	5.83
Nationwide Ang.B/S. 4 93	200	†96½	96¾	0	+0¼	4.86
Nippon Telg.&Tel. 4¼ 95	200	†98½	98¾	0	0	4.49
Oesters.Ktbk. 5 03	75	†100¾	101¼	−0½	+0⅛	4.90
Prov. Newfoundland 5 03	150	†100¾	101	+0¼	+0¼	4.92
Thailand 4⅝ 95	200	†95¾	96	−0⅛	−0⅛	5.39
World Bank 5 03	150	†100	100¼	+0⅛	+0⅛	4.96

Average price change... On day +0⅛ on week +0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅛	102⅜	−0⅛	−0⅛	4.74
Belgium 4⅝ 94	45	98⅛	98⅝	−0⅛	−0⅛	4.94
Canada 4⅞ 92	80	98⅞	99⅛	−0⅛	−0⅛	4.69
Elec. De France 5⅛ 94	20	101	101½	0	0	4.84
Ireland 5⅛ 93	30	100¼	100⅜	0	0	4.99
Norway 5⅛ 95	50	101	101¼	−0⅛	−0⅛	4.91
Rep. of Italy 5¾ 92	150	103½	103⅝	0	−0¼	4.60
Sweden 4⅝ 93	50	99¼	99½	−0⅛	−0⅛	4.78
World Bank 5½ 92	50	102½	103	−0⅜	−0⅜	4.66

Average price change... On day −0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10¼ 93 £	50	97⅞	98⅜	0	−0⅜	10.83
Alg. Bk. Ned. 5½ 92 FL	150	98⅞	99⅜	0	+0⅛	5.81
Alg. Bk. Ned. 5¾ 93 FL	200	98⅜	98⅞	−0⅜	−0⅜	6.16
Amro Bank 6¼ 92 FL	150	101⅛	101⅞	+0⅛	−0⅜	5.77
Aust.Ind.Dev. 12⅞ 93A$	100	95⅜	95¾	−0⅛	−0⅛	14.23
Barc. Bk. 10¼ 97 £	250	95	95½	0	−0⅛	11.11
Barclays Aus. 13½ 91 A$	100	99½	99⅞	−0⅛	−0⅜	13.60
BP Capital 9¾ 93 £	100	95	95⅜	−0⅛	−0½	11.22
British Airways 10 98 £	100	91⅝	92⅛	−0¼	−0⅝	11.46
Bohrmann-Tet. 6⅛ 93 FL	100	100⅜	100⅞	0	+0⅛	6.20
Comm.Bk.Aust. 12⅝ 93A$	100	96⅛	96⅝	−0¼	−0⅛	13.53
Coop.Ctr.Rabo. 6¼ 93 FL	100	100⅛	100⅝	0	0	6.14
Coop.Ctr.Rabo. 6 92 FL	200	100⅜	100⅞	0	+0⅛	5.78
Denmark 7¾ 92 ECU	100	†100½	101	0	0	7.46
Dixons 11 95 £	90	†95⅜	95⅞	—	—	11.83
Deut. Bk. Aust. 12¾ 95 A$	70	99¾	100¼	0	−0⅛	12.72
Eastman Kodak 13 90 A$	100	96⅜	97¼	−0⅛	−0⅛	15.05
E.I.B. 7 96 LFr	100	†98	99	0	0	7.28
Elec.France 10¼ 95 C$	125	†98⅞	99⅜	0	+0⅛	10.42
Euratom 7⅜ 97 ECU	145	95	95½	−0⅛	−0¼	8.17
Fed.Bus.Dv.Bk. 9¾ 92 C$	75	†97¼	97¾	0	+0¼	10.62
Ford Cr.Can. 10¾ 93 C$	100	†100	100½	0	+0⅛	10.65
Gillette Can. 9⅞ 93 £	70	92⅛	92⅝	0	0	11.82
G.M.A.C. 9¾ 93 C$	150	†96⅜	96⅞	0	+0⅛	10.73
G.M.A.C Aus.Fin. 14 90 A$	50	100⅜	101	+0⅛	0	13.35
Halifax BS 10⅜ 97 £	100	94⅞	95⅜	+0⅛	−0¼	11.31
Imp Chem Inds 10 03 £	100	92¼	92¾	−0¼	−1	11.05
Inv.Industry Int. 10 93 £	60	95¼	95¾	0	−0⅝	11.36
Lloyds Bank 10¼ 98 £	150	93	93½	−0⅛	−0½	11.46
Lloyds Bank 11⅜ 98 £	100	98¼	98¾	0	−0⅜	11.63
Montreal Tst. 10⅜ 93 C$	100	†99⅜	99⅞	0	+0⅜	10.82
Nat. West.Bk. 13¼ 92 A$	50	†99⅜	99⅞	0	+0⅛	13.22
Nationwide BS 10⅛ 93 £	75	95⅜	95⅞	−0⅛	−0⅜	11.45
Ned.Midd.Bank 6 92 FL	150	100⅛	100⅝	0	0	5.86
New Zealand 9½ 93 £	100	94	94½	0	−0¼	11.22
New Zealand 7¾ 93 ECU	200	—	—	—	—	—
Oesters. Ktbk. 13⅜ 94 A$	75	†101¾	102¼	0	+0⅜	13.05
Philips Gleoil. 6 93 FL	300	99¼	99⅝	−0⅛	0	6.15
Prudential Fin. 9⅜ 07 £	150	87¼	87¾	−0⅜	−0⅜	10.97
Royal Bk.Scot. 10⅝ 98 £	125	94½	95	−0⅛	−0¼	11.61
Saskatchewan 9⅞ 91 C$	150	†98	98½	0	+0⅛	10.64
Saskatchewan 10¼ 93	200	97⅞	98⅜	−0⅛	−0⅜	10.75
S.D.R. 7¾ 95 ECU	90	98¾	99¼	−0¼	−0¼	7.95
Union Bk. Switz. 7½ 93	150	100⅞	101⅜	0	−0¼	7.21
World Bank 5¾ 92 FL	*100*	*99*	*99½*	*0*	*−0⅛*	*6.00*
World Bank 13¾ 92 A$	100	†99¾	100¼	0	−0¼	13.30
Zentrspk. 13¼ 93 A$	75	98⅝	99⅛	−0⅛	+0⅛	13.54

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.78	99.83	21/01	10.99
Belgium 91 US	0	100.16	100.26	21/02	9
Britannia 5 93 £	0⅛	99.97	100.02	10/01	12.12
Chase Manhattan Crp. 91 US$	0⅛	99.53	99.70	22/02	8.94
Citicorp 98 US	†0¼	97.95	98.20	28/02	9.62
Credit Foncier 98 US	.063	99.58	99.68	20/04	8.44
EEC 3 92 DM	†0	100.92	101.02	22/02	5.63
Halifax BS 94 £	.1	99.92	99.97	8/02	12.29
Invt. in Industry 94 £	0	99.52	99.59	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.03	100.08	13/01	10.44
Midland Bank 01 £	.1	96.25	97.25	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	100.04	100.09	30/12	12.06
New Zealand 5 97 £	.07	100.18	100.28	20/02	12.16
New Zealand 5 01 US	0	99.81	99.91	4/02	8.62
State Bk. New. 98 US	.188	100.31	100.41	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.95	100.00	13/01	12.12
Woolwich 5 95 £	0⅛	99.81	99.86	21/02	12.37

Average price change... On day +0.01 on week +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	105⅜	106⅜	+0⅝	17.47
Amer. Brands 7⅞ 02 US	9/87	56.7	113⅜	114⅜	−3¼	3.92
Ashikaga Bank 2⅛ 02 US	4/87	967.	155¼	156¼	+4¼	7.73
Asics 5 92 DM	12/83	472.7	214½	215⅞	0	5.85
CBS. Inc. 5 02 US	†4/87	200.	92¼	93¼	0	9.19
Comm. Credit 5½ 02 US	4/87	66.75	64¼	65¼	−0⅛	54.06
Eng.China Clay 6½ 03 £	9/88	4.8	98⅞	99⅞	−0¼	5.76
Fujitsu 3 99 US	5/84	1106.	248	249	−2½	−0.17
Land Secs. 6¾ 02 £	6/87	6.72	90¼	91¼	−1¼	14.42
MCA Inc 5½ 02 US	9/87	69.62	82⅞	83⅞	+1¼	24.49
Minolta Camera 2¼ 94 DM	2/86	1004.	97⅝	98⅞	−0⅜	15.49
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	140	141⅝	+6⅞	4.34
Mitsui Trust 2⅞ 01 US	10/86	1903.	149⅜	150⅞	+11¼	3.66
Next Plc 5¾ 03 £	11/87	4.3	97½	98⅛	−0⅛	207.59
Nishi Nipp.Bk. 2⅞ 03 US	4/88	884.	125⅝	127	+6⅛	10.44
Omron Tateisi 2⅞ 02 US	4/87	1310.	215½	216⅞	−7⅞	−2.98
Ranks Hovis 4¾ 03 £	†1/88	3.5	107½	108½	−0½	9.25
Redland 7¼ 02 £	1/87	5.4	88⅝	89⅝	+0¼	15.37
Saatchi&Stchi 6¾ 03 £	†10/89	4.41	93¼	94¼	0	27.11
Texas Inst. 2¾ 02 US	9/87	82.87	73⅞	74⅞	+0⅛	50.34
W.R. Grace 6¼ 02 US	9/87	42.12	80⅞	81⅞	−0½	33.75

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Treasuries edge higher as dollar hardens

By Janet Bush in New York and Katherine Campbell in London

US TREASURY bonds yesterday were caught between the cross-currents of a stronger dollar and a firm Fed Funds rate which heightened speculation of another tightening in monetary policy.

On balance, Treasuries emerged with modest gains. By midsession, long-dated maturities stood as much as ⅛ point higher and the Treasury's benchmark long bond added ⅛ point to yield 9.06 per cent.

Issues at the short end of the yield curve were unchanged

GOVERNMENT BONDS

from Tuesday's sharply lower close. The 8.5 per cent issue due to mature in 1991 was unchanged at a price of 98¼ and a yield of 9.21 per cent.

US Treasuries had been quoted as much as ¼ point higher in overseas trading as dealers reacted to a surge in the dollar on news that the US had shot down two Libyan fighter jets over the Mediterranean.

However, bonds failed to make any further progress in New York trading as the Fed Funds rate opened at 9½ per cent before dipping slightly to 9⅜ per cent at midsession.

Although there still appear to be seasonal pressures boosting the Fed Funds rate artificially, there is concern that the Fed may sneak through a further ratcheting up of its Fed Funds target range under the cover of these pressures.

The interest rate debate now centres on tomorrow's unemployment and jobs figures for December. After the National Purchasing Managers' report for last month was released on Tuesday showing vigorous economic growth and accelerating new orders, exports and production, some economists have now started predicting a strong jobs figure. The consensus forecast at the start of the week was for a rise of 250,000 in the non-farm payroll. By yesterday, analysts were talking about a rise of nearer 300,000.

UK GOVERNMENT gilts remained beached, and failed to react much to outside events. Any pre-Christmas optimism that base rates had peaked at 13 per cent has largely evaporated, particularly in the light of tighter monetary policy internationally. The longer end of the market ended the day ½ weaker, affected largely by the announcement of yesterday's two Eurosterling fixed rate issues for a total of £175m.

THE US, by shooting down two Libyan planes, propelled its currency and government bond market in the opposite direction. This served to sustain some Continental markets, including France, where the Matif notional March bond ended at 107.55 after opening at 107.60. Indications by the finance minister M. Beregovoy that the Government is looking for lower short-term interest rates also cheered a thin market.

THE DANISH market was active with better than expected trade figures helping to push bonds firmly upwards. The 9 per cent of 2006 benchmark issue closed at 99.00 after opening at 98.35. The benchmark long bond now yields 9.46 per cent.

Traders were cheered by the preliminary November trade figures which showed a strong improvement for the second month running. The November outturn was a surplus of DKr1.65bn, compared with DKr1.05bn for October.

JAPAN'S first session of the year was a half day, and trading was distinctly sporadic, with a turnover of only Y292bn in the No.111 benchmark bond. A weaker yen depressed bonds slightly so that the No.111 closed to yield 4.755 per cent, after opening at 4.730 per cent.

LAST YEAR'S Exchequer borrowing requirement in Ireland was at the top end of market expectations, and that served to buoy prices during the morning. The 1988 total was I£619m, half the underlying level of two years ago. As a result, the key 8½ per cent capital stock due 2010 bounced up to yield 8.04 during the morning, but fell back to yield 8.10 by early afternoon.

This reflects market sentiment that the long end of the market is fully valued, so that good news tends to be seen rather as a selling opportunity.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jan 4 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Jan 3 Index No.	Fri Dec 30 Index No.	Thu Dec 29 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (209)	783.37	+1.0	11.94	4.54	10.26	0.00	775.54	781.53	784.38	747.78
2	Building Materials (28)	949.76	+1.1	13.41	4.79	9.18	0.00	939.06	952.97	959.35	988.61
3	Contracting, Construction (39)	1474.77	+0.4	13.44	4.13	9.70	0.00	1468.31	1482.64	1487.41	1423.59
4	Electricals (10)	2306.44	+0.5	9.39	4.89	12.84	0.00	2294.30	2307.49	2317.68	2072.24
5	Electronics (30)	1801.43	+1.4	10.41	3.62	12.43	0.00	1776.44	1779.76	1781.94	1545.75
6	Mechanical Engineering (55)	409.82	+0.9	11.62	4.56	10.47	0.00	406.34	410.62	411.49	382.84
8	Metals and Metal Forming (7)	455.21	+0.6	16.98	6.49	6.65	0.00	452.62	455.86	457.56	461.23
9	Motors (17)	261.14	+1.1	12.52	5.07	9.26	0.00	258.24	260.62	261.26	273.18
10	Other Industrial Materials (23)	1326.02	+1.1	10.28	4.71	11.50	0.00	1311.63	1316.37	1323.94	1287.97
21	CONSUMER GROUP (188)	1022.07	+0.5	10.10	4.09	12.41	0.00	1016.74	1024.42	1028.63	1041.66
22	Brewers and Distillers (21)	1112.94	—	11.39	4.01	10.97	0.00	1112.42	1113.47	1116.40	1011.22
25	Food Manufacturing (21)	938.71	+1.4	9.72	4.10	12.92	0.00	926.84	932.96	934.59	843.15
26	Food Retailing (16)	1798.28	+0.8	10.10	3.90	13.04	0.00	1784.64	1799.24	1813.42	2091.44
27	Health and Household (13)	1789.88	+0.6	7.50	3.03	15.27	0.00	1778.20	1794.29	1814.38	1796.30
29	Leisure (32)	1347.53	+0.1	8.69	3.75	14.60	0.00	1346.22	1358.71	1354.61	1163.12
31	Packaging & Paper (17)	527.28	+0.8	10.57	4.27	11.76	0.00	523.08	526.54	527.13	523.98
32	Publishing & Printing (19)	3236.76	-0.3	9.44	4.74	13.24	0.00	3246.22	3258.70	3265.02	3496.35
34	Stores (34)	684.20	+0.6	12.43	5.03	10.57	0.00	679.97	692.74	693.08	826.37
35	Textiles (15)	466.19	+0.3	14.95	6.06	8.03	0.00	464.71	464.58	464.46	611.38
40	OTHER GROUPS (91)	900.28	+0.5	11.62	4.78	10.52	0.00	896.15	901.08	903.60	873.74
41	Agencies (18)	1043.07	+1.2	9.25	2.82	13.65	0.00	1030.84	1041.97	1048.66	1114.91
42	Chemicals (22)	1036.05	+0.9	12.30	5.09	9.76	0.00	1026.37	1030.78	1039.46	1121.06
43	Conglomerates (12)	1264.29	+0.7	11.69	5.66	9.93	0.00	1254.94	1262.81	1267.46	1156.58
45	Shipping and Transport (12)	1836.25	-0.4	10.83	4.54	12.07	0.00	1844.30	1861.87	1865.55	1756.75
47	Telephone Networks (2)	1006.10	+0.4	11.60	4.67	11.14	0.00	1002.43	1006.66	1005.09	894.52
48	Miscellaneous (25)	1188.40	+0.1	12.11	4.62	9.40	0.00	1187.15	1191.51	1194.40	1204.55
49	INDUSTRIAL GROUP (488)	942.74	+0.6	11.03	4.40	11.21	0.00	935.74	942.33	945.74	938.47
51	Oil & Gas (12)	1728.36	+0.2	10.70	6.44	11.95	0.00	1725.77	1725.40	1743.64	1754.54
59	500 SHARE INDEX (500)	1008.56	+0.6	10.98	4.60	11.30	0.00	1002.81	1008.87	1013.49	1080.32
61	FINANCIAL GROUP (127)	674.84	+0.6	–	5.25	–	0.00	670.06	674.24	676.16	658.84
62	Banks (8)	661.95	+0.6	21.41	6.55	6.26	0.00	657.74	662.09	663.25	668.85
65	Insurance (Life) (8)	938.35	+0.1	–	5.75	–	0.00	937.46	941.25	945.86	992.57
66	Insurance (Composite) (7)	532.95	+0.8	–	5.86	–	0.00	528.72	530.28	533.33	516.35
67	Insurance (Brokers) (7)	923.72	+0.8	9.40	7.04	13.18	0.00	916.68	917.28	925.28	924.68
68	Merchant Banks (11)	318.65	+0.2	–	4.70	–	0.00	318.05	319.29	317.15	355.25
69	Property (54)	1206.76	+0.7	5.07	2.78	23.23	0.00	1198.13	1206.26	1211.88	992.80
70	Other Financial (32)	344.49	+0.4	16.16	5.01	12.08	0.00	342.99	343.33	342.56	398.56
71	Investment Trusts (76)	923.72	+0.2	–	3.28	–	0.00	922.84	926.82	927.43	821.80
81	Mining Finance (2)	569.40	+1.4	10.74	3.67	10.38	0.00	561.50	565.31	566.04	455.75
91	Overseas Traders (8)	1275.45	+0.1	9.18	4.96	12.62	0.00	1273.76	1276.92	1278.69	1084.64
99	ALL-SHARE INDEX (715)	926.49	+0.6	–	4.71	–	0.00	921.22	926.59	930.43	988.21

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 3	Jan 30	Dec 29	Dec 28	Dec 23	Year ago
FT-SE 100 SHARE INDEX♦	1793.0	+18.2	1793.2	1785.3	1782.8	1793.1	1803.4	1787.7	1774.8	1787.1

FIXED INTEREST

	PRICE INDICES	Wed Jan 4	Day's change %	Tue Jan 3	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.35	+0.06	118.27	–	0.00
2	5-15 years	133.33	–	133.41	0.08	0.08
3	Over 15 years	145.84	-0.18	146.10	–	0.00
4	Irredeemables	167.68	-0.26	168.12	–	0.00
5	All stocks	131.36	-0.01	131.41	0.04	0.04
	Index-Linked					
6	5 years	129.61	–	129.61	–	0.00
7	Over 5 years	126.51	+0.10	126.38	–	0.00
8	All stocks	126.56	+0.09	126.44	–	0.00
9	Debentures & Loans	116.06	+0.03	116.18	0.15	0.15
10	Preference	86.24	-0.05	86.28	–	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jan 4	Tue Jan 3	Year ago (approx.)
	British Government				
1	Low	5 years	9.48	9.49	8.91
2	Coupons	15 years	9.14	9.14	9.63
3		25 years	9.05	9.03	9.44
4	Medium	5 years	10.63	10.64	9.62
5	Coupons	15 years	9.72	9.71	9.82
6		25 years	9.29	9.26	9.68
7	High	5 years	10.88	10.89	9.78
8	Coupons	15 years	9.87	9.85	9.96
9		25 years	9.26	9.26	9.68
10	Irredeemables		9.05	9.02	9.36
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.87	3.86	2.94
12	Inflation rate 5%	Over 5 yrs.	3.79	3.79	4.09
13	Inflation rate 10%	5yrs.	2.66	2.64	3.41
14	Inflation rate 10%	Over 5 yrs.	3.62	3.62	4.18
15	Debs & Loans	5 years	11.56	11.70	11.00
16		15 years	11.26	11.30	10.98
17		25 years	10.96	10.94	10.98
18	Preference		10.41	10.40	10.74

♦Opening index 1785.7; 10 am 1786.8; 11 am 1791.6; Noon 1790.5; 1 pm 1785.6; 2 pm 1786.6; 3 pm 1788.7; 4 pm 1791.1; 4.05 pm 1791.2 (a) 4.56pm (b) 9.43am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	39	54	18
Corporations, Dominion and Foreign Bonds	4	27	20
Industrials	465	272	843
Financial and Properties	173	75	422
Oils	26	26	52
Plantations	1	0	12
Mines	45	43	100
Others	48	68	136
Totals	801	565	1,603

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
£.44	F.P.	-	54½	41	‡Capital Leasing F.10p	54½	+½	R0.3%	3.3	2.0	15.5
§70	F.P.	6/1	82	72	‡Channel Express 10p	74		R2.1	3.0	3.8	10.7
245	F.P.	-	260	243	Compass Group 5p	260	+1	R7.2	2.7	3.7	13.4
§154	F.P.	13/1	158	141	Danmsgroup	156	+2	R4.75	2.6	4.1	11.3
084	F.P.	-	95	84	‡EW Fact 5p	88		b3.0	2.3	4.5	9.2
§190	F.P.	13/1	190	182	‡Embassy Property 10p	187		L6.0	1.4	4.3	11.9
§85	F.P.	-	152	85	*Haemocell 1p	148	+2	-	-	-	-
§110	F.P.	9/1	133	110	‡Metro Radio 5p	133		L3.0	2.3	3.0	15.3
§120	F.P.	-	120	106	‡Planning Resch. & Sys10p	108		R3.5	2.8	4.3	9.5
§66	F.P.	-	69	62	‡Safeland 5p	62	-1	R2.6	3.2	5.6	6.1
§117	F.P.	-	118	110	‡Sandell Group 10p	118		L4.4	1.8	5.0	11.6
§140	F.P.	-	148	141	Secure Trust 1p	147	+1	W7.09	2.3	6.4	9.0
§95	F.P.	-	98	93	‡Venture Plant 5p	98		L3.25	1.5	4.4	12.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	96p	85p	AMEC New 6¼p (Net) Cm Cv Rd Pf 50p	88p	
100p	F.P.	-	105p	103p	‡Apollo Metals 8p(Net) Cm Rd Pf 10p	103p	
100p	F.P.	-	100¼p	98½p	Arlington Sec. 9½pc Cm. Rd. Pf. 2008	99p	
100p	F.P.	-	111p	106p	Bardon Grp 5p(Net) Cv Cm Rd Pf 10p	110p	
100.3p	F.P.	-	101p	94p	Blackwood Hodge 9pc Cm. Pf. £1	96p	
100	F.P.	-	104	100	Cable & Wireless 7pc Cv Un Ln 2008	104	
§100p	F.P.	-	99¼p	98½p	Church (C) Dev. 9.375pc Cm Rd Pf £1	99½p	
100p	Nil	-	1pm	¼pm	‡Cityvision 8.5pc Cv Cm. Rd. Pf.	¼pm	-¼
100p	F.P.	-	90p	87p	Iceland Frozen Foods Cv Cm Rd Pf 20p	90p	
§100p	F.P.	-	100¼p	95p	Jessups 7.3p(Net) Cv Cm Rd Pf 50p	95p	
100p	F.P.	-	60p	54p	Kalt Energy 6pc(Net) Cv Cm Rd Pf £1	60p	+2
100p	F.P.	-	96p	86p	Leisure Inns 7pc Cm Cv Rd Pf(1998) £1	95p	+1
100p	F.P.	-	98p	89p	Mecca Leisure Grp. 7.25p Cv Pf 20p	91p	+1
§100	F.P.	-	100	99¾	N'wide Anglia 12½pc 2.6.90	99¾	-¼
§100p	F.P.	-	96p	90p	Parkfield Grp 9pc(Net)Rd Pf '10/13 £1	90p	
§100p	F.P.	-	100p	88p	Rockware Grp 7¼pc Cv Cm Rd 2nd Pf	94p	
§100p	F.P.	-	85p	80p	‡Thorpac 8p Cv Rd Ptg Pf '01-'05 50p	85p	
100p	F.P.	-	104p	93p	Williams Hldgs 8p (Net) Cv Rd Pf 10p	94p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
93	Nil	-	13pm	2pm	‡BLP Group 10p	2pm	
165	Nil	2/2	16pm	7pm	Haden MacLellan 20p	10pm	
98	Nil	3/2	8pm	8pm	Lees (John J.) 10p	8pm	
25	Nil	-	4pm	2pm	Moxton Group 20p	2pm	-1
220	Nil	27/12	4pm	1¼pm	‡Parkway Group	2pm	
300	Nil	-	¼pm	¼pm	Peel Hldgs.	¼pm	
16	Nil	6/1	2½pm	1pm	‡Resort Hotels 10p	1pm	-½
2½	Nil	2/2	1pm	½pm	*Sheagard Studios 1p	¼pm	

a Annualised dividend.b Figures based on prospectus estimates.d Dividend rate paid or payable on part of capital, cover based on dividend on full capital.g Assumed dividend and yield.s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.L Estimated annualised dividend,cover and p/e based on latest annual earnings.M Dividend and yield based on Prospectus or other official estimates for 1988.N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross.R Forecast annualised dividend,cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures.♦ Issued by tender.§ Offered to holders of ordinary shares as a "rights".† Introduction.‡Placing price.†† Reintroduction.♦ Issued in connection with reorganisation merger or takeover.¶ Allotment price.♦ Unlisted securities market.♦ Official London listing.□ Including warrants entitlement.* Third Market.

TRADITIONAL OPTIONS

- First Dealings Dec 19
- Last Dealings Jan 6
- Last Declarations Mar 30
- For settlement Apr 10

For rate indications see end of London Share Service

Calls in Marley, PML, Cowie T, Eurotunnel Wrnts, Ranks Hovis; Amal Finance, Benlox,Eagle Trst, Blacks Leis,Lonrho, Dixons, Blue Arrow, Miller S, Holmes Prot, Sears, BSR.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*438)	420	23	42	52	3	10½	19
	460	3	19	32	25	31	37
Brit. Airways (*154)	140	16	21	27	1½	3	8
	160	3	8½	13	9	12	16
Brit. & Comm. (*208)	200	12	22	26	3	7	10
	220	2	10	14	16	18	20
	240	½	3	6	34	36	38
B.P. (*250)	240	13	17	24	1¼	7¼	10
	260	1¾	5¾	13	10½	21	22
British Steel (*61)	50	11¾	13¾	14½	½	1	2
	60	2½	5½	6¾	1¼	3	6
	70	½	1¾	2¾	9¾	9¾	13
Bass (*799)	750	53	80	105	3	9	14
	800	16	43	70	17	25	30
Cable & Wire (*373)	360	17	38	47	3	11	16
	390	3	18	28	18	23	30
Cons. Gold (*1250)	1200	85	150	185	23	65	90
	1250	53	120	160	47	90	115
	1300	30	100	140	77	115	140
Courtaulds (*267)	260	13	24	32	4½	10	19
	280	4	14	21	17	21	30
Com. Union (*338)	330	13	24	32	6	14	18
	360	2	7	14	25	34	37
G.K.N. (*299)	280	22	30	37	2½	8	11
	300	7	17	25	8	18	21
Grand Met. (*427)	420	14	24	39	5	15½	20
	454	2	10½	–	29	39	–
I.C.I. (*1023)	1000	35	57	85	9	32	36
	1050	9	30	58	35	60	63
Jaguar (*266)	260	12	21	33	5	15	20
	280	3	11	23	17	26	29
Land Securities (*540)	500	45	63	75	2	10	16
	550	11	30	43	17	22	32
	600	2	12	23	62	62	63
Marks & Spencer (*150)	140	13	19	22	2	4	5½
	160	1½	6½	10	12	12½	13½
	180	½	2½	4½	32	32	33
STC (*269)	260	12	22	32	3	11	13
	280	1¾	13	22	15	21	23
Sainsbury (*199)	180	21	27	31	1	3½	6
	200	6½	14	19	7	10	14
Shell Trans. (*331)	317	19	26	35	2	8	9
	333	7	15	24	8	17	18
	350	2	8	16	20	27	28
Storehouse (*193)	180	18	30	36	6	10	16
	200	5½	19	24	11	18	25
Trafalgar House (*290)	280	17	28	30	4	7	13
	300	6	15	21	13	15	23
Utd. Biscuits (*319)	300	25	41	46	7	15	23
	330	13	25	32	24	28	37
Ultramar (*291)	280	–	–	45	–	–	23
	294	12	23	–	15	26	–
	300	–	–	33	–	–	33
Woolworth (*237)	220	20	30	32	3	6	9
	240	4½	14	19	8	11	16

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Boots (*229)	220	23	28	33	7	11	13
	240	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Plessey (*228)	220	13½	28	31	7	12	16
	240	8½	17	22	16	21	24
Prudential (*154)	140	17	19	21	3	4	5
	160	4	6	9	10	14	15
	180	1	3	–	29	31	–
Racal (*287)	280	18	30	36	9	14	20
	300	8	18	25	20	25	30
R.T.Z. (*427)	390	47	60	65	4	10	17
	420	20	38	45	13	22	28

Option		Calls Feb	Calls May	Calls Sep	Puts Feb	Puts May	Puts Sep
Vaal Reefs (*$67)	60	12	14	15	2	5½	5
	70	4½	8	9	8	10	12

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad (*172)	160	21	30	36	8	13	15
	180	11	20	24	18	23	25
	200	5	13	–	30	34	–
Barclays (*406)	390	30	33	40	11	13	18
	420	11	17	23	30	30	33
	460	3	6	–	67	67	–
Blue Circle (*423)	420	26	32	44	15	24	38
	460	9	16	24	40	48	54
Dixons (*135)	130	11	16	20	6	9	13
	140	7	10½	–	10	13	–
Glaxo (*1068)	1050	72	105	138	30	43	50
	1100	45	78	110	55	67	72
Hawker Sidd. (*542)	500	60	68	80	6	13	17
	550	26	34	50	21	33	39
	600	7	15	–	60	72	–
Hillsdown (*235)	220	26	31	36	2	3½	7
	240	11	18	21	11	14	14
Lonrho (*339)	330	38	55	60	28	36	46
	360	25	39	48	44	57	64
Midland Bk (*412)	390	32	40	47	11	13	17
	420	11	20	27	25	27	30
Sears (*110)	110	10	13½	16½	6½	10	13
	120	5½	8½	11	13	16½	18
Trusthouse Forte (*253)	240	20	31	37	9½	11½	14½
	260	10	19½	25	19½	23	26
Thorn EMI (*627)	600	50	67	72	11	20	27
	650	20	33	42	31	48	50
Wellcome (*403)	390	34	48	62	12	15	18
	420	17	29	44	25	29	32

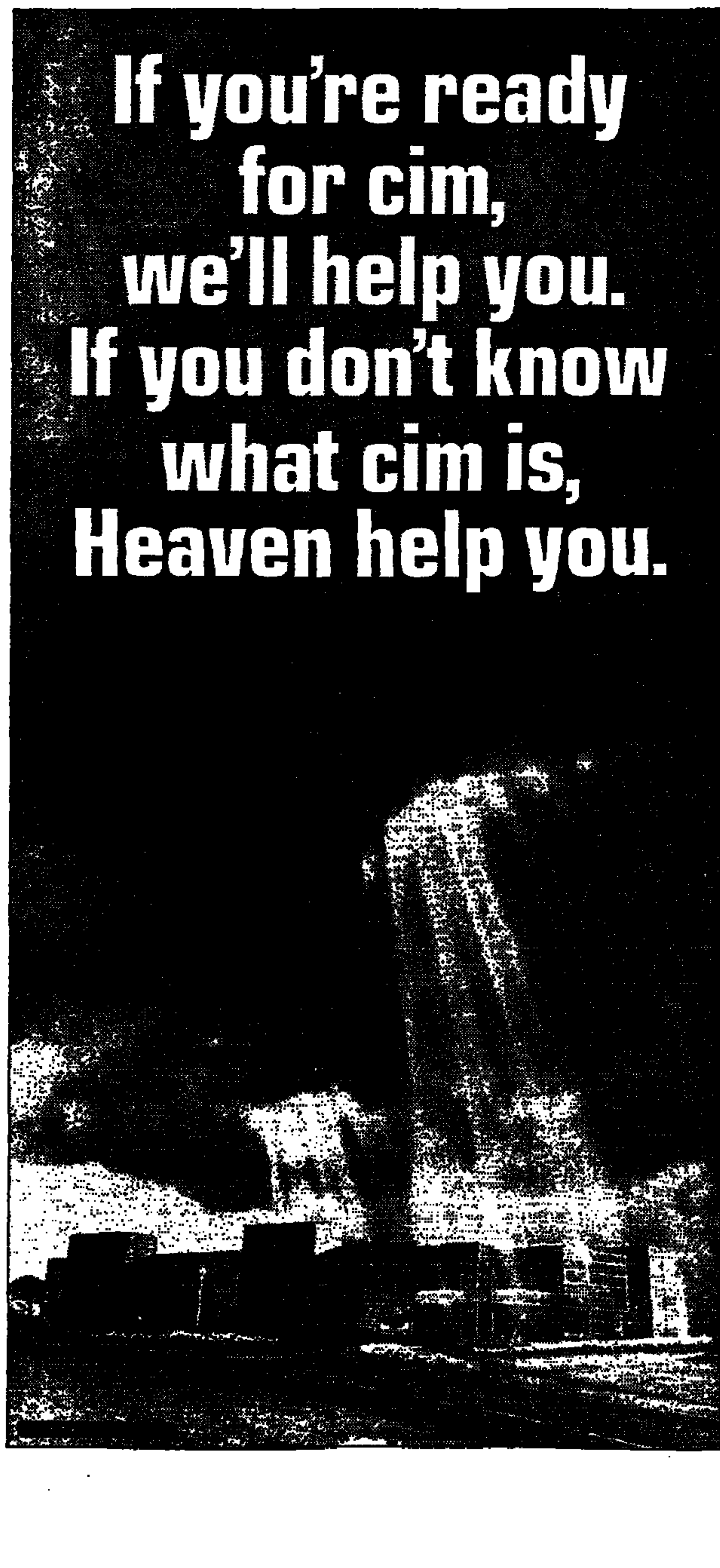
Option		Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
British Gas (*158)	140	19	22	28	½	1½	2
	160	2	6½	12	4	6½	8

Option		Calls Jan			Puts Jan		
RHM (*345)	330	22	–	–	4	–	–
	360	6½	–	–	20	–	–

Option		Calls Mar	Calls Jul	Calls Oct	Puts Mar	Puts Jul	Puts Oct
Beecham (*468)	460	31	47	60	13	22	25
	500	12	26	39	36	43	45
Unilever (*463)	460	24	39	50	13	20	23
	500	8	19	30	41	45	47

Further traded options series (GEC, Rolls-Royce, TSB, Ladbroke, Brit Aero, BAA, BAT Inds, Brit. Telecom, Cadbury Schweppes, Guinness, LASMO, P. & O., Pilkington, BTR, Hanson, Tesco, Enterprise Oil, Scot. & Newcastle, Conv. 9½% 2005, Tr. 12% 1995, FT-SE Index): [illegible]

January 4 Total Contracts 38,245 Calls 28,425 Puts 9,820
FT-SE Index Calls 6668 Puts 2868
*Underlying security price.



UK COMPANY NEWS

Consumer lending for home improvements expected to rise in 1989

FNFC advances 29% to £69m

By Clare Pearson

FIRST NATIONAL Finance Corporation yesterday announced a 29 per cent increase in pre-tax profits to £68.7m in the year to October 31. The company said further growth in consumer lending, the bulk of its business, was foreseeable in 1989.

Mr Richard Langdon, chairman, said he believed the nature of FNFC's business meant it was insulated from the worst effects on demand for consumer credit of the Chancellor of the Exchequer's higher interest rate policy.

Home improvement lending, the largest part of FNFC's consumer credit business, had risen by 20 per cent since September, apparently boosted by the downturn in first mortgage applications which followed the abolition of multiple tax relief at the end of August.

Mr Langdon said he believed the outlook for this type of lending was good as home-owners, hit by higher mortgage charges, decided to alter existing houses rather than move. He also anticipated that consolidation of consumers' debt could be a growth area.

Earning assets stood at £1.3bn at the start of this year, £3m higher than at the comparable point in 1987, reflecting an increase in the average size of loans.

Both FNFC's rate of defaults and its bad debt expenses, neither of which it quantifies publicly, fell over the last year. It is not involved in store credit cards.

The company, once a casualty of the secondary banking crisis in the 1970's, stands on three legs: consumer credit, property, and small-scale commercial lending. The last division, previously known as Twentieth Century Banking, was bought from P&O in 1986. In November, it acquired the basis of a fourth leg with the £1.75m acquisition of Barnet Devanney, an insurance broker.

With the losses left over from its difficult past experience running out, FNFC's tax charge rose nearly 9 percentage points to 24 per cent in the last financial year. The tax charge is expected to show a further rise to around 26 per cent this year.

Fully diluted earnings per share came out at 31.1p (27p). The final dividend is lifted by 31 per cent to 8p (5.75p), as part of a policy of making more generous payments. This gives 11.5p (8.75p) for the year.

Consumer credit put in £46.06m (£36.56m) to pre-tax profits. Property, which consists of residential house building and sales as well as lending to housebuilders, was the next biggest contributor, providing £14.56m (£10.98m).

The commercial lending division gave £11.61m (£9.87m). Mr Langdon said demand from small-scale businesses in certain parts of the country was extremely buoyant.

Mr Langdon said that following the acquisition of Barnet Devanney, the insurance concern, the company continued to look for acquisitions, including add-ons to its three core divisions. But suitable targets were scarce.

Richard Langdon: demand from small businesses buoyant

See Lex

Nine from ex-Grenfell team to go to Cazenove

By Richard Waters

THE CORE of a team of market-makers in investment trusts, made redundant by Morgan Grenfell shortly before Christmas, has been taken on by Cazenove.

Nine members of the original 14-person team, led by Mr Jonathan Hubbard, will move to Cazenove at the beginning of February. Mr Hubbard has headed the group since it was under the wing of Pinchin Denny, the jobber, which was later taken over by Morgan.

Unlike other parts of the securities market, the investment trust sector has remained profitable. The team was making profits right up to the time Morgan ceased its securities trading in December, though profits had fallen off somewhat since August, Mr Hubbard said.

There are five other market-makers in this sector, with enough liquidity in the market to support a sixth, he said. The team received several other *offers before opting to go to* Cazenove.

Mr John Kemp-Welch, Cazenove's senior partner, said of the sector: "There isn't the oversurplus of liquidity that produces so much competition that there's no living in it for anybody."

The move is intended to strengthen Cazenove's links with the investment trust sector where it already acts as an adviser to a number of trusts, said Mr Kemp-Welch.

Shares suspended as Tysons negotiates over merger scheme

By Ray Bashford

Tysons, the Liverpool construction group controlled by Mr Sean Donelon, is in the final stage of negotiations for a merger with two of his family companies.

Tysons yesterday requested a suspension of trading in its shares prior to a further announcement within the next two weeks.

This is expected to give details of the deal. Three different sources for the merger are under consideration.

The shares were suspended at 54p after two weeks of relatively active trading, having increased from the 43p level of mid-October.

It is understood that yesterday's announcement was to some extent prompted by the accelerated trading in the group's shares.

Mr Donelon, Tysons chairman and chief executive, is planning to merge JF Donelon, a tunnelling contactor, and North West Builders Merchants with the listed company.

Mr Donelon controls 55 per cent of Tysons after bailing it out of severe financial difficulties in June 1987.

At that time he subscribed £1.5m for a 50 per cent stake at 15p a share. The shares were suspended at 54p before his entry.

Tysons' pre-tax losses had been mounting steadily before the rescue and for the year to December 31 1987 totalled £875,000, compared with £652,000 in 1986.

The company's position has subsequently improved and for the six months to June 30 1988 it returned pre-tax profits of £14,000 compared with losses of £364,000.

When announcing these results, Tysons also made a one-for-two rights issue at 42p to raise £3.15m.

The merger plan is seen as a means of strengthening the balance sheet and therefore placing the company in a more forceful position to tender for contracts.

JF Donelon has a net asset backing of £5m. Its largest contract, for the Royal Docks in London, is worth £8m. Another contract still in progress is worth about £4m.

*North West Builders Mer*chants, which was established 10 years ago, has a net asset backing of £500,000 and currently operates through three depots in the north-west of England.

Bloomfield raises stake in Benlox to 29.4%

By Andrew Hill

MR PAUL BLOOMFIELD, the property specialist who was appointed a non-executive director of Benlox Holdings three weeks ago, has increased his stake in the engineering and investment company to 29.4 per cent, buying 5.75m shares from Dr Ashraf Marwan, the Egyptian financier.

Mr Bloomfield, who in recent years has been associated with Mountleigh, the property investment group, bought the shares through his private company, Fortlodge, at 70p each – nearly a 30 per cent premium to yesterday's opening price of 54p. Benlox shares closed at 60p.

He originally acquired 18.6 per cent of Benlox through Fortlodge at the beginning of December, and joined the board about a week later.

Mr Simon Berrill, chairman and chief executive, said he was delighted to have Mr Bloomfield's support as a director and major shareholder.

Just before Christmas, Dr Marwan lifted his stake in Benlox to 14.4 per cent. Following this deal his stake will come down to 3.67 per cent, the latest drop in the rollercoaster history of Dr Marwan's holding, which over the last two years has ranged from nothing up to 24 per cent.

In August 1987 he was set to become executive deputy chairman, but this plan was abandoned during Benlox's abortive bid for Storehouse. Last February, Dr Marwan sold his 22 per cent holding, only to buy back into the company three months later.

Ben Priest adds to its leisure marine interests

By Richard Tomkins, Midlands Correspondent

Benjamin Priest Group, West Midlands-based engineering concern, is adding to its leisure marine interests with an agreement to buy Richfield Marine Thrusters of Poole, Dorset, for an undisclosed sum.

Richfield, which has an annual turnover of £500,000, is said to be world market leader in the manufacture of bow and stern thrusters that aid manoeuvrability for yachts and small commercial vessels in congested areas.

The acquisition will complement that of Lewmar, the manufacturer of winches and other leisure marine products that Priest bought for £34m-worth of shares in September 1987.

Wardle Storeys claims 2.7% of Armstrong

By Clare Pearson

Wardle Storeys, plastic products and security equipment group, said its associate company had picked up further shares in Armstrong Equipment, for which it has made an £82m hostile bid, to bring its stake to about 2.7 per cent.

Wardle said Precis (807) had bought a further 100,000 ordinary Armstrong shares, or 0.2 per cent of the equity of the shock absorbers and industrial fasteners concern, at 155p each. Wardle itself has no holding.

Aside from shares assented by Precis, Wardle had at December 29 received valid acceptances in respect of just 707,218 shares. Armstrong's shares, valued under the bid terms at 155p, yesterday rose 5p to 163p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
First Nat Fin ....fin	8	Feb 23	5.75	11.5	8.75
Hollas Group ....int	1.5†	Apr 1	1.4	-	2.9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- AMI Healthcare.

FUTURE DATES

Interims-

Dixons	Jan. 12
German Sec Inv Tst	Jan. 6
Harrison Inds	Jan. 17
LIT Holdings	Feb. 1
Finals-	
Abbey Panels Inv	Jan. 10
Anglia Television	Jan. 16
Blick	Jan. 24
Brooke Tool Eng	Jan. 17
Horne (Robert)	Jan. 11
M & G Dual Tst	Jan. 11
Scottish American Inv	Feb. 6
Warner Estate	Jan. 26
Whessoe	Jan. 10

Institutions await DTI ruling on Blue Arrow

By Philip Coggan

THE BLUE ARROW affair rumbled on yesterday as the City reacted to suggestions that County NatWest and Phillips & Drew could have created an illegal concert party at the time of the employment agency's £837m rights issue in 1987.

However, although many in the City are unhappy about the affair, the Association of British Insurers, denied that it was about to launch its own investigation. Mr Richard Regan, secretary of the ABI's investment committee, said: "The matter is under investigation by the Department of Trade and Industry and we don't feel our own investigation would be appropriate."

The National Association of Pension Funds would not comment *on whether it had set up* a special case commitee into the affair. However, Mr Clive Gilchrist, vice chairman of the NAPF, said its investment committee was considering what action, if any, it should take.

A spokesman for the Prudential Corporation, the UK insurance group, said that "as one would expect of a responsible investor, the Pru has examined its knowledge and actions at the time of the placing. It is now our intention to await the result of the DTI investigation, in the light of which we will see if any further action is called for."

The Pru is believed to own about 3.5 per cent of the employment group.

The questions centre on the placing of those shares not taken up by shareholders in *Blue Arrow's rights issue.* About 15 per cent of the shares ended up in the hands of County, the investment banking adviser to Blue Arrow, and Phillips & Drew, which acted as broker to the issue.

It was not made clear at the time of the placing that County and Phillips & Drew had acquired these shares. One issue is whether a complex indemnity agreement between County and Phillips & Drew may have had the effect of giving *County a disclosable inter*est in the Phillips & Drew shares.

The Blue Arrow affair is complicated by the recent departure of Mr Mitchell Fromstein from its board. Mr Fromstein had been chief executive of Manpower, the US employment agency which Blue Arrow acquired with the rights issue proceeds. His departure has led to a rebellion amongst Manpower franchisees, some of whom want to see Mr Tony Berry, *Blue Arrow's chairman*, removed.

Cambrian lifts asset value estimates

By Clay Harris

Cambrian and General Securities investment trust last night produced revised estimates of net asset values, even further above the terms *on offer from its hostile US* bidder, Leucadia National Corporation.

Cambrian, the former UK vehicle of the convicted US insider dealer Mr Ivan Boesky, estimated navs at December 23 of 132.88p for its ordinary shares and 177.84p for the capital shares. These amounted to increases of 3.63p and 7.7p respectively from the last estimate dated November 30.

By contrast, Leucadia is offering 108p per ordinary share and 120p per capital share. The shares had closed unchanged at 110p and 123p before last night's announcement.

Cambrian said the estimates were calculated after making provisions against litigation and tax which the board continued "to believe are a realistic assessment of the likely outcome of discussions relating to contingent liabilities."

Leucadia's advisers, however, continued to dismiss the estimates as "conjectural" because they did not represent value which could be unlocked for shareholders.

The US bidder owns or has acceptances for shares representing 37 per cent of voting rights. Its offer has been extended to January 12.

Banner increases its stake in Avdel to 45.1%

By Clay Harris

BANNER INDUSTRIES, the US engineering company, has bought 670,000 shares in Avdel, its erstwhile takeover target.

The market purchases on Tuesday, at prices between 93p and 95½p, increased Banner's stake in the UK fasteners group to 45.1 per cent of ordinary shares or about 43.2 per cent of voting rights. Banner's bid for Avdel lapsed on Friday.

Textron, the US conglomerate whose £125m bid has the backing of the Avdel board and institutions representing 34.77 per cent of voting rights, also picked up 100,000 shares on Tuesday at its offer price – 92p.

Textron now claims to speak for about 44.3 per cent of Avdel's voting rights, leaving less than 13 per cent uncommitted to either side.

Avdel shares closed ½p lower at 95½p.

Carless finally recommends bid

By Clay Harris

Directors of Carless, independent oil group, yesterday finally recommended Kelt Energy's successful £208m takeover bid.

The Carless board said it had received certain assurances it had requested concerning "Kelt's intention to honour existing employment agreements and contracts, pension arrangements and share option schemes".

Later yesterday, four Kelt directors and its company secretary were appointed to the Carless board, and Carless' four non-executive *directors* resigned.

Of Carless' four executive directors, all except Mr Ian Clubb, chief executive, are expected to remain.

Kelt's offer, which has won the backing of more than 78 per cent of shares, was declared fully unconditional on December 28. The 115p cash portion of the Kelt bid closes on January 12.

Smurfit lifts stake in PCL

By Maggie Urry

JEFFERSON SMURFIT, the largest paper-based packaging company in the world, has increased its stake in PCL Industries, a Canadian plastic packaging, furniture and distribution group, to 29 per cent after buying 700,000 shares in a private placement.

The new shares were priced at C$7 each, making a total cost of C$4.9m (£2.26m). Smurfit's original 19.9 per cent holding in PCL was bought in September 1988 for C$8.6m.

The stake is held through a 78 per cent owned subsidiary, Jefferson Smurfit Papertube. Smurfit has agreed that it will not increase its stake in PCL above 30 per cent for two years, except under certain circumstances.

Mr Michael Smurfit, chairman and chief executive officer of Smurfit and Mr James Malloy, president and chief operating officer of Jefferson Smurfit Corporation, Smurfit's 78 per cent owned US subsidiary, will join the board of PCL.

PCL will use the proceeds of the private placement for future growth. It has a 16 per cent stake in Scott & Robertson, the largest producer of polythene packaging products in the UK, based in Greenock, near Glasgow in Scotland.

Hanson continues US disposal programme

By Clare Pearson

HANSON INDUSTRIES, the diversified industrial conglomerate, has netted about $14.5m (£8m) cash through a further pruning of its interests in the United States.

The programme of disposals at the industrial group Kidde has continued with the sale of surplus properties to raise $6.7m.

Meanwhile Hanson has obtained $5.5m through the sale of a Michigan paper plant owned by the Allied Paper division of SCM, its large 1986 acquisition.

The balance of the disposal proceeds is made up from the sale of the Southwest Minerals subsidiary of Kaiser Cement.

With the sale of the Michigan plant Hanson, which has raised $251m from previous disposals of parts of Allied Paper, has pared the operation down to two companies involved in office stationery.

The Kalamazoo plant, which is being sold to Performance Papers, made operating profits of $52,000 on sales of $92.8m in the year to end-September 1988, while net assets stood at $3.2m.

Southwest Minerals, which consists of two ready-mix concrete plants and two aggregates plants in Texas, incurred losses of $0.5m on a turnover of $6.7m in the year to September 30. Its net assets at that date were $1m. The purchaser is Texas Readymix, a subsidiary of Alamco Cement Corporation.

This latest disposal at Kaiser Cement, which Hanson bought for $250m, brings the total raised from divestitures since acquisition in early 1987 to more than $280m.

The most recent previous divestiture at Kidde, which was bought for $1.7bn in 1987, was of Kidde Consultants, an engineering consultancy concern. This was sold for $18.3m last month.

Magnetic buy

Magnetic Materials Group, Hertfordshire-based magnet manufacturer, has agreed to pay $4m (£2.24m) in cash for Krystinel, a New Jersey-based company. Krystinel makes soft ferrite magnetic materials products, which MMG said would expand its own range.

MMG is offering $8½ for each share in Krystinel, which is traded over the counter in the US.

COMPANY NEWS IN BRIEF

AMBROSE INVESTMENT Trust had a net asset value of 580.8p per capital share at December 30, against 589.48p the previous month.

CARRON PHOENIX is acquiring John Kelly and Son (Kitchen Engineers) of Bonnyrig, Midlothian, a supplier to the commercial catering industry. Total consideration is £500,000 satisfied by the issue of 289,046 ordinary shares and £145,312 in cash.

EVODE has acquired the shoe components business of Doeflex for £500,000 plus up to £263,000 dependent on orders placed by foreign customers during 1989. Turnover for 1988 is estimated at £1.1m.

LONDON AND St Lawrence Investment Company: Net asset value per share at December 30 was 103.4p against 103.37p at November 30.

M&G RECOVERY Fund is paying an interim dividend of 7.3p.

PRACTICAL INVESTMENT Company had a net asset value of 99.89p per share at December 30. The previous month it was 100.39p.

TSB GILT Fund is paying a dividend of 3p per 'A' share for the quarter to February and a 1p dividend per 'B' share for December.

Ladbroke urges T-Line profits forecast 'without further delay'

By Ray Bashford

LADBROKE GROUP, the diversified international leisure group, yesterday called for Thomson T-Line to give a profit forecast, in its first shot since making a £165m offer for the industrial holding company.

Directors of Ladbroke said that Thomson T-Line, the principal asset of which is Vernons football pools, should publish "without further delay" information about the trading and profit positions of all divisions.

The call follows the publication last weekend of Thomson T-Line's defence document, which claims that Ladbroke's cash offer of 80p a share is "opportunistic" and undervalues the company.

In their reply the Ladbroke directors said: "The document contains no forecasts of profits for the current year and does not even give the results for the six-month period to October 31 1988, which ended over two months ago."

The results of the Vernons pools operations would most interest Ladbroke, which has already said it would sell most of the other assets.

Thomson T-Line shares have traded above the cash element of the offer since it was announced mid-way through last month, and there has been consistent speculation that a third party may enter.

Maxwell shifts shareholding

By Andrew Hill

MR ROBERT MAXWELL has shifted the ownership of a 29.5 per cent stake in Central & Sheerwood, the engineering group he rescued in 1987, from one private vehicle to another.

Headington Investments and its subsidiaries – companies controlled by Mr Maxwell, who is a director of C&S – have bought 72.7m shares at 8p each from Maxwell Foundation, Mr Maxwell's Liechtenstein-based private holding company, and its subsidiaries. That compares with yesterday's closing price of 8¼p, up ¼p.

In a complex transaction in May 1987, various companies controlled by Mr Maxwell bought assets from C&S, enabling the group to repay most of its debts. Last July, Robert Fraser Group, the merchant bank in which Maxwell Foundation owns 7.9 per cent, and its associates, picked up 29.9 per cent of C&S when RFG sold four property companies for shares.

Water authority poised for bids

By Andrew Hill

SOUTHERN Water Authority is poised to launch hostile bids next week for up to three private water companies in its region.

Counter-bids for Mid-Sussex, West Kent and Folkestone and District water companies – all of which are subject to agreed offers from French water suppliers – would be made through AIPF Water Fund, Southern's joint venture with Mr Duncan Saville, an Australian investor in the sector.

In the next two days, Southern may raise its stakes in some of the water companies as a declaration of intent. Mr Saville is flying into London on Saturday to discuss the next move, but it is thought that only the timing and number of bids to be launched need to be decided.

The joint venture has 9.7 per cent of Folkestone, 44.8 per cent of West Kent and 32.2 per cent of Mid-Sussex. Bids would have to value the three companies together at more than £26.5m.

However, the authority may decide to launch only one bid to avoid a clash with the Government in the sensitive period before the privatisation of the 10 authorities in the autumn.

Ministers have said they would be unlikely to relax authority funding limits to allow bids. But Southern has financial flexibility because the venture with Mr Saville is already a public limited company, and owns substantial blocks of water company stock.

The Government would also risk embarrassment if it actively blocked a bid from a British water group, having taken no action while three French suppliers have launched takeovers for 12 of the 29 statutory water companies.

In the longer term, Southern may also bid for Mid-Kent Water Company, the largest company in the area. The authority is apparently less eager to mount a counter-bid for Eastbourne Waterworks Company, despite the fact that the fund has a 35.2 per cent stake, but intends to oppose the offer from SAUR Water Services, a subsidiary of Bouygues, the French construction and service group.

A High Court ruling before Christmas appeared to open the way for takeover bids by the authorities. The water companies are appealing against the judgment.

SAUR's bids for Mid-Sussex and West Kent close tomorrow and Monday respectively, and the bid for Folkestone from Compagnie Générale des Eaux closes next Thursday.

Southern hopes the offers will be extended. This has happened in the north-east of England, where institutional investors have proved reluctant to commit themselves to recommended offers from Lyonnaise des Eaux for two water companies. Those bids close next Wednesday.

Rexham arm sold by Bowater for over £4.7m

By Maggie Urry

BOWATER INDUSTRIES has agreed to sell the packaging machinery business of Rexham Corporation, the US group acquired for £135m late in 1987. The business being sold does not fit in with Bowater's core activities of packaging and industrial products.

The Rexham machinery company is to be sold to Klockner Packaging of Virginia, for a price exceeding its book value of $8.5m (£4.7m). Its sales totalled $14m in 1988.

Bowater has been selling a number of its peripheral businesses in recent weeks as part of the process of concentrating on core businesses and improving returns instituted by the management team which arrived in the spring of 1987.

FSA causes industrial life sales to fall 24% to £24.6m at Pearl

By Nick Bunker

PEARL GROUP, home service life insurer, saw its sales of industrial life assurance policies drop 24 per cent to £24.6m last year. This demonstrates the way in which the Financial Services Act has hit sales of industrial life, at one time the staple product of companies like Pearl and Prudential Corporation.

Industrial life assurance, in which premiums are collected door-to-door from customers' homes by insurance agents, has this year turned out to be a victim of the new regulations governing life companies' marketing practices.

The reason is that the new regulations explicitly require insurance salesmen to offer customers the best product in their company's range, making many of them reluctant to offer industrial life policies because the high costs of collecting the premiums cut the proportion of premiums available for investment.

Instead, Pearl found that its new business from ordinary with-profits policies rose 36 per cent to £14.4m, including an 18 per cent increase to £14.4m in low-cost endowments.

Pearl said that sales of new annual premium pensions plans had been "particularly successful", with new business premiums of £15m. There is an extra £23m due in rebates and payments due from the Department of Social Security as incentives for customers to contract out of the State Earnings Related Pensions Scheme.

Overall, though, Pearl's new life assurance and pensions premiums dropped 49 per cent to £74.8m, mainly because of an expected fall in sales of single premium unit-linked policies, a hybrid of life assurance and unit trusts, owing to the weak stock market.

● Sun Alliance, composite insurer, increased its pensions premiums by 65 per cent to £217m in 1988, reflecting the boom in business following the July 1 introduction of new-style personal pensions by the industry.

The group raised its total new life assurance premiums in the UK by 36 per cent to £368m, including a 45 per cent jump in new single premium business to £274m. Overseas, total new life premiums fell from £61m to £56m.

Sun Alliance said that in spite of the downturn in the house purchase market in the last three months of the year, its mortgage-related products sold well with new annual premiums of more than £35m.

Hollas improves 25% to £1.19m at interim stage

THE HOLLAS Group, fabric and garment manufacturer and distributor, reported a 25 per cent increase in pre-tax profits in the six months to September 30 1988. The taxable result of £1.19m, against £953,000 last time, was struck on turnover 36 per cent ahead from £15.37m to £20.88m.

Interest payable rose to £284,000 (£91,000) and after tax of £392,000 (£286,000), earnings per 5p share worked through at 2.6p (2.3p). The interim dividend is raised to 1.5p (1.4p).

The company said it believed the garment distribution division would pull even further away from its rivals, although contractions within the UK textile industry had affected the company's own specialist yarn activities. Alternative outlets had been secured to ensure continuing growth.

Metal Closures adds to pre-press services side

By Andrew Hill

METAL CLOSURES Group, packaging and printing company, has added to its pre-press services arm – preparing photographs for reproduction in magazines and on posters – with the purchase of Bentley Photo-Litho for £900,000 in cash and unsecured loan notes.

MCG said yesterday it hoped to continue building up the pre-press operation. The group's three other divisions make bottle tops, plastic packaging, and packaging systems.

The group is paying £450,000 in cash and issuing Bentley shareholders with £450,000 in 8.25 per cent unsecured loan notes.

In the year to December 31, 1987, Bentley made £158,688 before tax. The vendors have guaranteed net tangible assets at the end of 1988 of not less than £500,656, before allowing for 1988 corporation tax.

Bentley is based in the West Midlands and serves the advertising, packaging, printing, fine art and newspaper industries. It has been supplying Metal Closures for 25 years.

In May, MCG bought three related pre-press companies for £3.44m in cash. These were added to MCG's Hull-based graphic reproduction company which had grown organically from a small in-house unit servicing the group's flexible packaging operation.

Smiths £3.5m acquisition

By Fiona Thompson

Smiths Industries, the aerospace, medical systems and industrial products group, has purchased Avon Medicals from the Smith & Nephew Group for £3.5m in cash.

Avon is a leading UK supplier of disposable dialysis and intravenous devices used in critical care, and epidural procedure packs. Smiths Industries said yesterday that its addition would strengthen its medical systems group.

More than 200 people are employed by Avon, which is based in Redditch, Worcestershire, and has annual sales of about £5m. Its product range is sold directly in the UK to the National Health Service and through independent distributors in overseas markets.

"Avon fits neatly alongside our existing single-use product companies, Portex and Concord Laboratories, and broadens the total range of critical care products we can offer to hospitals," said Mr George Kennedy, chairman of Smiths.

In 1988, Smiths reported turnover of £103.1m in its medical services group. Group turnover was £666.4m.

Clayhithe buys Keep holding

By Philip Coggan

CLAYHITHE, investment group, has acquired 800,000 redeemable preference shares in Keep, a private company which imports and distributes household, industrial and children's textiles.

The preference shares pay a 10 per cent dividend on their par value of £1. In addition, Clayhithe has an option to buy up to 2.5 per cent of Keep's ordinary shares before October 1993.

Keep, formed via a management buy-out from Guinness Mahon Development Capital, operates from a substantial freehold site in King's Cross, London. Mr John Heywood, executive director of Clayhithe, said its expertise would be used to help Keep "develop a very interesting site."

Clayhithe made a reverse takeover of Betec, an engineering group, in 1987.

A&M Group changes year end

A&M Group, film set and furniture supplier, is to extend the end of its current financial year from January 31 to March 31.

On Tuesday, A&M announced the sale of its 51 per cent stake in videotape duplicator Harlequin to Rex Williams Leisure.

Harvey & Thompson purchase approved

By Clay Harris

SHAREHOLDERS in Harvey & Thompson, the pawnbroking and debt collection group, yesterday approved the acquisition of Anchor Confirming and Finance, a company due to begin operation this month as a trade finance house.

All payments are deferred. Harvey & Thompson is to pay up to £6m in convertible preference shares depending on profits in the 4½ years to June 30 1993.

Before the deal was approved yesterday, Harvey & Thompson's legal adviser read a statement which made clear that the company being acquired "never has traded and has no connection whatsoever with any company that has traded."

This reflected a current legal action by Anchor Trade Finance (UK) and Anchor Trade Finance (UK) (1987), two existing confirming houses which have no corporate connection to the company being bought, against two of their former directors and Harvey & Thompson.

All five London employees of the first two Anchor companies have resigned to join the new concern, which took the Anchor name one day before Harvey & Thompson announced its purchase on December 9.

The division will soon be called Harvey & Thompson Trade Finance, as the new owner had always intended.

On December 20, in an interim injunction until trial, a High Court judge ordered Mr Maurice Schwartz and Mr Michael Leslie Sims, the two ex-directors, not to pass off the business of the new company as having any connection with their previous employer.

COMMODITIES AND AGRICULTURE

Sucre et Denrees details Ivory Coast cocoa deal

By George Graham in Paris

THE SALE of 400,000 tonnes of cocoa by the Ivory Coast to Sucre et Denrees, the French commodities trading house, will be financed by Sucden and its banks, not by the French Government.

Senior officials said the deal, announced in Abidjan on Tuesday, would be financed through Sucre et Denrees's usual banking syndicate, led by the three major French commercial banks, Banque Nationale de Paris, Credit Lyonnais and Societe Generale.

French government officials said an official loan of FFr 400m to the Ivory Coast, concluded on December 23, was not directly linked to the cocoa purchase deal.

The deal, which has been the subject of lengthy negotiations over the last few months, has two parts.

In the first part, Sucre et Denrees has bought 200,000 tonnes of cocoa beans from the Ivory Coast for resale to end users. Sucden officials said almost all of this portion has already been sold.

The remainder of the deal comprises the storing for two years of another 200,000 tonnes. Half of this amount has already been or is in the process of being stored, with the remainder to be stored in the coming months.

Sucre et Denrees will pay for this cocoa immediately, but will not take delivery for two years. The cost of storage will therefore be borne by the seller, Ivory Coast's Caisse de Stabilisation et de Soutien des Prix des Produits Agricoles (Caistab), officials said.

The French company said the deal would reinforce its relationship with the Ivory Coast Government and also strengthen its position as a major player in the cocoa trade.

Traders indicated that the French firm had paid an average price midway between the bottom price reached on the open market and the price demanded by the Ivory Coast. This would still leave a price above the current market level.

The Ivory Coast's financial crisis was sparked off by the refusal of President Felix Houphouet-Boigny 18 months ago to reduce cocoa producer support prices from FFr 8 a kilogram, which, together with an estimated FFr 1.40 a kilogram marketing and transport costs, and some FFr 2 a kilogram of export taxes, made the Ivory Coast beans considerably more expensive

Caistab has therefore run up a large deficit supporting prices at this level. It is also estimated to be in deficit on all other agricultural products, with the possible exception of rice.

The FFr 400m loan from France's Caisse Centrale de Co-operation Economique is aimed at funding Caistab's arrears, but not specifically at financing the Sucden deal. French government officials indicated yesterday that the loan is a preliminary to a much wider agreement settling the Ivory Coast's disagreements with the World Bank and the International Monetary fund. They admitted also that the loan, following shortly after a meeting between Mr Michel Rocard, the French Prime Minister, was decided at a political level and not through the normal Caisse Centrale mechanisms.

The World Bank and the IMF have been refusing any agreement with the Ivory Coast which would in their view simply perpetuate Caistab's deficit on cocoa.

● On the London Futures and Options Exchange (Fox) the May contract closed down £4 at £885 a tonne. Dealers said the latest news in the long Ivory Coast saga had minimal impact.

Upsurge continues in copper and zinc

By Kenneth Gooding, Mining Correspondent

METALS PRICES continued to perform strongly yesterday as zinc and copper set records on the London Metal Exchange.

There was also a warning that a severe shortage of nickel was likely during the first quarter of 1989 and this might push the LME price to new peaks of more than $10 a lb in the short term, compared with $8.78 a lb for cash metal last night.

Three-month high grade zinc, which surged to a record $1,605.50 a tonne on the LME on Tuesday, continued its sharp climb in early trading yesterday and metal for delivery in three months touched $1,620 a tonne.

Profit-taking during the afternoon left three-month, high grade zinc at $1,602.50 by the close, however. But traders expect the price to recover once the profit-taking is absorbed.

Meanwhile, Cominco, the Canadian producer, raised its price for zinc in the US to 79.50 cents a lb, leapfrogging others who in the past few days have put prices up to either 78 cents or 78.50 cents.

LME three-month Grade A copper edged up to a new sterling peak of £1,770 a tonne during the first official ring yesterday, reflecting the continued decline of the UK currency against the dollar, traders suggested.

The price eased back to £1,766.50 by the close, up £18 a tonne from Tuesday. Grade A copper for immediate delivery also rose by £18 a tonne to close at £1,949.50.

Stainless steel

Meanwhile, in a special report on nickel the Shearson Lehman Hutton metals team suggests that demand for the metal from the stainless steel industry should remain at record levels at least until the middle of this year.

Disruptions to normal production in Indonesia, Brazil and Australia have made an already tight market even tighter. "Some nickel buyers may be forced to cut their use of nickel during the first quarter of 1989," says analyst Mr Jim Lennon.

LME cash prices are likely to be between $8 and $10 a lb ($17,632 to $22,040 a tonne) in the first quarter and $7 to $9 a lb during the second, he suggests.

Yesterday cash nickel advanced $150 on the LME to $19,350 a tonne while three-months metal rose by $525 a tonne to $17,975.

MacGregor's New Year warning

By Bridget Bloom, Agriculture Correspondent

MANY BRITISH farmers will need to earn more of their total income from non-farming sources if they are to survive over the next few years, Mr John MacGregor, Minister of Agriculture, told the Oxford farming conference yesterday.

In his first speech in 1989, officially billed as British Food and Farming Year, Mr MacGregor outlined structural changes already having an impact on farming, thus providing a gloomy message for his mainly farming audience.

Only half of the country's 250,000 farmers were still farming full-time, and 56 per cent of agricultural output was coming from only 11 per cent of total British farm holdings.

That trend seemed bound to continue, Mr MacGregor said, holding out hope for the smaller farmer principally as what he called a rural entrepreneur. As many more British families had the time to enjoy the countryside, such farmers would be able to cater for their needs, thus "employing their assets and skills lucratively outside primary production."

Farmers had no automatic right to go on farming as they always had in the past, regardless of whether they could find a realistic market for their goods. Mr MacGregor added: "We don't expect that of other businesses. Small cobblers, small village garages, small shops have not been guaranteed a continued existence in our rural communities if there are no longer the customers for them," he said.

While Mr MacGregor's message about the rigours of the market place was not new, he delivered it yesterday with a new directness which seemed to reinforce farmers' fears that the tide of political opinion was turning against them.

Mr MacGregor made much of the opportunities for many farmers to broaden their sources of income and stay on the land. Already nearly half of British farmers' income came from non-farming sources like investment or other businesses and that, too, was a trend which would continue, he said.

But his central thesis – that while some aid would undoubtedly continue for farmers in poorer areas, the majority must increasingly take their chance in a Thatcherite market place – contrasted with the more protectionist view expressed to the conference by Dr Wilhelm Schopen, a senior official in the West German Ministry of Agriculture.

While both agreed that reforms aimed at cutting the cost of the EC's common agriculture policy must continue to be enforced, Dr Schopen emphasised that Germany – which has many more smaller farmers than Britain – believed farmers had vital social and environmental, if not necessarily economic, functions and should continue to receive aid accordingly.

Mr MacGregor told the two-day Oxford conference, which traditionally attempts to predict future trends, that he believed British farming was essentially financially strong. He implicitly challenged Mr Simon Gourlay, the National Farmers Union leader who recently asserted that real farming incomes were at their lowest since the second world war. Incomes not only varied across the country and between sectors – some of which were doing quite well – but it was essential to take into account farmers' non-farm income which contributed to the overall health of the industry, Mr MacGregor said.

Chicago traders in buoyant mood

Deborah Hargreaves on the revival in the city's agricultural futures

IN CHICAGO 1988 will be remembered as the year in which new life was breathed into the city's moribund agricultural futures markets. As the Midwest was scorched by the worst drought this century, grain futures trading exploded into frenetic activity and prices climbed to the highest levels in 15 years.

With the government stockpiles of grain that had cast a pall over Chicago's free market futures trading for 10 years dwindling amid strong export demand futures contracts soared to their upper daily price limits within minutes of the opening one sweltering day after another. Traders began predicted record price highs but the markets turned wildly volatile at the "threat" of rain and this kept prices from breaching historical highs.

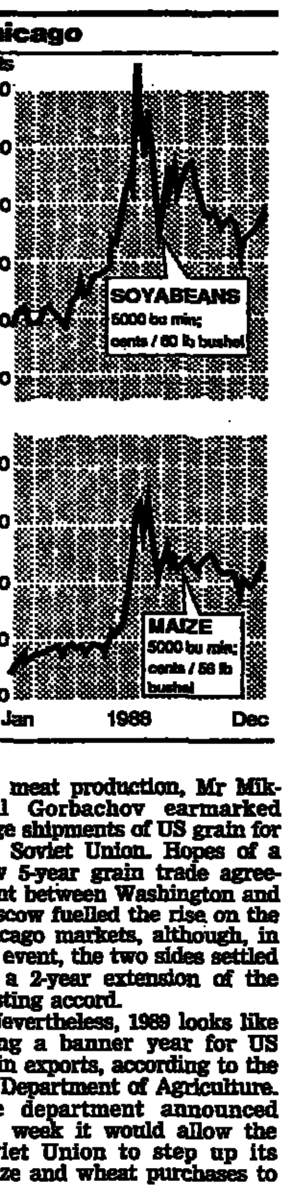
The summer rally was led by soyabeans, because higher domestic and export demand had already started to draw down stocks in late 1987. As the dry weather persisted, soyabean futures soared to an $11-a-bushel peak in late June and traders began looking forward to "beans in the teens."

Beans failed to push decisively past the $11 mark, however, although they continued to drive the market.

As the searing heat continued, the Midwest maize crop started to look increasingly vulnerable, even though stockpiles were still high.

Maize futures passed $3 a bushel as farmers feared for the harvest of the feed crop that is far less resistant to dry weather than soyabeans. At the same time, export demand was buoyed up by crop shortfalls in other countries.

Pledging to improve food supply, and especially to raise



red meat production, Mr Mikhail Gorbachov earmarked huge shipments of US grain for the Soviet Union. Hopes of a new 5-year grain trade agreement between Washington and Moscow fuelled the rise on the Chicago markets, although, in the event, the two sides settled for a 2-year extension of the existing accord.

Nevertheless, 1989 looks like being a banner year for US grain exports, according to the US Department of Agriculture. The department announced last week it would allow the Soviet Union to step up its maize and wheat purchases to 16m tonnes before it requires notification – the previous ceiling was 12m tonnes.

With the Soviets already having bought over 9m tonnes of US maize since October, Chicago traders see healthy export demand supporting their markets well into the spring.

While the end of the year is a traditionally quiet time for commodity markets, Chicago traders are closely watching other crops around the world in anticipation of a continued strong grain market in 1989.

Brazil and Argentina both aim to raise soya production this year in response to the US shortfall but are currently experiencing dry planting seasons. "The next two months are crucial for the South American crop," explains Mr Bud Frazier, a trader at Balfour Maclaine, "and if anything goes wrong, there will be an explosive situation in this market."

Furthermore, South American countries have cut back on maize plantings in order to move into the higher-priced soyabeans. With maize already affected by the dry weather in the southern hemisphere, there will be little margin for error in the new US crop.

Mr Frazier estimates Brazilian maize output at roughly 16m tonnes this year – down from the 20m to 21m tonnes expected earlier, which will mean that rather than being self-sufficient in the grain, Brazil will have to import some 5m to 6m tonnes. On top of this, major growing areas in the US are still deficient in moisture to replenish their depleted sub-soil water reserves. Unless the winter yields a lot of snow and runs into a wet spring, 1989 crops could be affected.

US crop reserves have been left extremely low by last year's drought. The soyabean stockpile is at an historical low of 125m bushels and maize supplies, although healthier, have sunk to the lowest level in five years and could be further reduced in a strong export market.

Wheat stores were halved last year to just over 500m bushels as a quarter of the country's spring wheat crop was destroyed by drought. Some winter wheat in Kansas is now looking vulnerable to a phenomenon called winterkill, which destroys plants left without a cover of snow.

"We'll have an interesting market this year, because we don't have the reserve any more and everything depends on the weather – more so than it has done for a long time," believes Mr Frazier.

It is not just the grain market that has felt the effects of the drought, but Chicago's livestock futures oscillated wildly in the summer as some ranchers were forced by the lack of pasture to liquidate their herds. Cattle and hog futures often move in opposition to the price of maize, which is used as feed.

With the US cattle herd starting 1988 at its lowest level since 1961 – just over 100m head – cattle futures experienced a volatile year. Prices are expected to be buoyed into 1989 as ranchers hold back some of their heifers to start rebuilding their depleted stock.

As many financial futures markets slackened in 1988, speculative money poured into Chicago's agricultural contracts. That interest is still apparent as is the growing use of agricultural options, which makes many traders optimistic for a busy 1989.

Rubber pact plans clearance

By Wong Sulong in Kuala Lumpur

THE INTERNATIONAL Natural Rubber Organisation hopes to dispose off its remaining 25,000 tonnes of rubber by the end of March, Mr Aldo Hofmeister, the buffer stock manager said yesterday.

"Most Inro members will be delighted if we sell all the stock," he said, adding that he would be in the market over the next few days now that the price had moved back above the "may sell" level of 232 Malaysian/Singapore cents a kilogram.

Rubber industry officials expect the commodity's price to remain firm at least for the first half of 1989 because of the start of the wintering season in February. Rubber trees in Southeast Asia shed their leaves during wintering, and latex production normally falls by between 30 and 50 per cent during the wintering months.

Inro built up a stockpile of 370,000 tonnes during the early 1980s, when prices were weak, but this was depleted in the strong market since late 1987.

The second rubber agreement came into force provisionally from December 29, with the required 75 per cent ratification from both exporting and importing countries. It is hoped that the Soviet Union will ratify the pact soon to give the required 80 per cent to put the agreement in definitive operation before the new Inro council meets in mid-March.

Meanwhile Malaysian rubber glove manufacturers have reported that there have been widespread contract defaults by American importers, who had made their orders early last year when the AIDS scare caused a scramble for gloves, which pushed the price of latex to an all-time high.

Scores of rubber gloves factories have come into production in Malaysia, China and Thailand. In Malaysia alone there is now production capacity of 28bn pairs a year, compared with estimated current market demand for 14bn pairs.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,925-2,025 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.65-6.80 (6.45-6.60).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 8.20-8.40 (7.00-7.40), sticks 8.20-8.40 (7.00-7.40).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.65-7.85 (7.55-7.80).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 285-300 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.50-3.53 (3.48-3.53).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 8.70-9.20 (8.90-9.30).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-64 (56-63).

VANADIUM: European free market, min. 98 per cent, V_2O_5, cif, 7.20-8.30 (6.60-7.50).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 14.15 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices were dragged higher in morning trading after the overnight strength of the New York market, which was being driven by a speculative rally prompted by concern about possible supply tightness. However profit-taking emerged in the afternoon, and prices closed down on the day following a sharply lower New York opening. On the bullion market, gold prices fell, with the news that US jets had shot down two Libyan fighters failing to provide more than a brief rise. The market came under pressure in the afternoon from a steadier dollar and softer Comex prices. Meanwhile the Biffex dry cargo contract rose strongly, with general buying on bullish sentiment. The Baltic Freight Index rose 9 points to 1,553 – a lower increase than expected, leaving it undervalued, dealers said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.35-3.50w	+0.10
Brent Blend	$16.60-6.70	+0.20
W.T.I. (1 pm est)	$17.35-7.38w	+0.04
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$171-174	+1
Gas Oil	$157-159	+2.5
Heavy Fuel Oil	$76-77	
Naphtha	$149-151	+3.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$409.75	-2.50
Silver (per troy oz)♣	601c	-7
Platinum (per troy oz)	$530.40	+5.65
Palladium (per troy oz)	$133.00	+1.25
Aluminium (free market)	$2595	-5
Copper (US Producer)	157½-165c	-½
Lead (US Producer)	41½c	
Nickel (free market)	855c	+15
Tin (European free market)	£4145.0	-2.5
Tin (Kuala Lumpur market)	19.89r	-0.08
Tin (New York)	345.63c	-0.12
Zinc (US Prime Western)	73¼c	+1
Cattle (live weight)†	111.76p	-2.17*
Sheep (dead weight)†	167.35p	-12.8*
Pigs (live weight)†	78.01p	-5.52*
London daily sugar (raw)	$260.6u	-15.6
London daily sugar (white)	$278u	-13
Tate and Lyle export price	£252.0	-8.5
Barley (English feed)	£112.75	
Maize (US No. 3 yellow)	£132	+1
Wheat (US Dark Northern)	£116.75v	-0.75
Rubber (spot)♥	65.0p	-0.5
Rubber (Feb)♥	62.5p	-1.5
Rubber (Mar)♥	62.75p	-1.50
Rubber (KL RSS No 1 Jan)	289.5m	-3.0
Coconut oil (Philippines)§	$580u	
Palm Oil (Malaysian)§	$380.0	-7.5
Copra (Philippines)§	$370	
Soyabeans (US)	$189.0	-2.5
Cotton "A" index	61.7c	-0.5
Wooltops (64s Super)	645p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. w-Feb. v-Apr/May. u-Jan/Feb. q-Dec. x-Jan/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	884	891	895 880
May	884	889	893 881
Jul	880	886	888 885
Sep	900	891	898 887
Dec	912	905	914 905
Mar	922	915	924 917
May	940		

Turnover: 3775 (4722) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 3: 1152.69 (1143.09); 10 day average for Jan 4: 1136.13 (1127.73).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1228	1226	1237 1215
Mar	1225	1227	1250 1212
May	1210	1227	1230 1200
Jly	1205	1225	1230 1200
Sep	1203	1224	1230 1197
Nov	1225	1225	1230 1225
Jan	1225	1235	1225

Turnover: 6550 (3167) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 3: Comp. daily 128.88 (135.14); 15 day average 128.49 (127.04).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	236.00	232.40	237.40 231.60
May	235.00	230.60	236.40 230.00
Aug	228.60	226.00	228.60 224.00
Oct	224.80	221.20	225.40 220.00
Dec	218.40	219.00	
White	**Close**	**Previous**	**High/Low**
Mar	276.00	271.50	276.50 271.50
May	272.00	268.00	272.00 268.00
Aug	272.50	268.60	272.00 268.00
Oct	265.00	262.00	265.00 264.00
Dec	263.50	260.50	
Mar	260.50	260.50	272.00 261.50
May	260.50	260.50	

Turnover: Raw 4257 (3594) lots of 50 tonnes. White 1197 (1271).
Paris- White (FFr per tonne): Mar 1575, May 1595, Aug 1570, Oct 1625, Dec 1625, Mar 1625

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2400	213	165	60	156
2500	153	140	99	221
2600	105	108	160	283
Copper (Grade A)	**Calls**		**Puts**	
2900	[illegible]	[illegible]	[illegible]	[illegible]
3100	[illegible]	[illegible]	[illegible]	[illegible]
3300	[illegible]	[illegible]	[illegible]	[illegible]

WOOL

The general market view is that Australian wool prices will rise strongly when sales are resumed next week, following the christmas recess. This continues the pre-christmas trend and many think there will be acceleration with Japan a more active buyer. This bullish approach is not matched by activity on the Bradford market nor, it seems, in most other countries in Western Europe. Textiles are passing through a difficult trading spell, with high interest rates and currency alignments often unhelpful. Wool prices are already considered high and resistance is strong. Bradford prices for tops have a protective element with 64s super merino quoted at 645p per kg. and 58s super crossbreds at 465p.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 17,300 tonne
Cash	2565-85	2605-15	2600/2595	2593-5		
3 months	2525-5	2530-5	2545/2495	2530-5	2500-5	22,488 lots
Copper, Grade A (£ per tonne)						Ring turnover 26,075 tonne
Cash	1947-52	1929-34	1955	1953-5		
3 months	1765-7	1748-9	1770/1760	1764-5	1760-2	67,003 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	595-8	602-5		598-601		
3 months	609.5-12.5	615-8		612.5-5.5		485 lots
Lead (£ per tonne)						Ring turnover 4,750 tonne
Cash	391-3	390-2	394/393.5	393.5-4		
3 months	382-83	387-8	391/389	389-9.5	390-1	8,752 lots
Nickel ($ per tonne)						Ring turnover 600 tonne
Cash	19300-400	19100-300	19300/19000	19100-50		
3 months	17950-8000	17450-500	18000/17400	17600-700	17700-800	5,536 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 3,400 tonne
Cash	1680-90	1670-80	1700/1695	1695-705		
3 months	1625-30	1620-5	1635	1635-40	1625-35	2,319 lots
Zinc ($ per tonne)						Ring turnover 15,100 tonne
Cash	1675-80	1665-70		1665-80		
3 months	1600-5	1605-6	1620/1600	1611-2	1608-10	11,368 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	85.0	85.0	
Apr	85.5	85.8	86.4 85.0
May	98.7	100.8	101.3 98.4
Nov	85.5	85.0	86.0

Turnover 595 (309) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	172.00	171.80	176.00 168.00
Apr	174.00	174.00	172.00 171.80
Jun	168.50	169.00	168.00
Aug	160.00	159.00	159.00

Turnover 60 (26) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jan	1619	1606	1619 1605
Feb	1670	1662	1678 1660
Apr	1685	1674	1688 1673
Jul	1485	1470	1485 1470
Oct	1575	1565	1576 1565
Jan	1570	1560	1570
BFI	1553	1544	

Turnover 1143 (865)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	112.30	112.20	112.20 112.10
Mar	115.30	115.70	115.80 115.30
May	118.70	118.15	[illegible]
Jun	120.20	120.05	120.20
Sep	102.60	102.60	102.55 102.50
Barley	**Close**	**Previous**	**High/Low**
Jan	108.30	108.65	108.30
Mar	111.80	112.15	112.00 111.80
May	113.80	114.05	113.85 113.80

Turnover: Wheat 100 (159), Barley 175 (99).
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	409½-410	226¼-227¼
Opening	410¼-410¾	226¼-226¾
Morning fix	410.5	226.109
Afternoon fix	409.35	226.348
Day's high	411¼-411¾	
Day's low	407-407½	
Coins	**$ price**	**£ equivalent**
Maple leaf	421-426	233-236
Britannia	421-426	233-236
US Eagle	421-426	233-236
Angel	419-424	
Krugerrand	408½-411½	226-228
New Sov.	96¼-97¼	53¼-54
Old Sov.	96¼-97¼	53¼-54
Noble Plat	534.4-543.5	293.85-298.85
Silver fix	**p/fine oz**	**US cts equiv**
Spot	332.15	602.75
3 months	342.85	616.60
6 months	350.60	631.10
12 months	373.75	[illegible]

CRUDE OIL $/barrel

	Close	Previous	High/Low
Feb	16.00	15.73	16.00 15.76
Mar	15.88	15.40	15.64 15.41
IPE index	16.76	16.48	

Turnover: 5473 (1664)

GAS OIL $/tonne

	Close	Previous	High/Low
Jan	155.25	152.75	155.25 153.00
Feb	152.25	150.00	152.00 150.00
Mar	147.25	145.00	147.00 145.50
Apr	142.25	136.50	142.00 140.50
May	137.00	134.75	137.50 135.00
Jun	135.50	133.00	135.50 134.00

Turnover 8482 (3617) lots of 100 tonnes

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	408.7	410.8	0	0
Feb	411.0	413.4	413.5	409.6
Mar	413.5	415.9	0	0
Apr	416.3	418.7	419.0	414.3
Jun	421.8	424.2	424.5	419.6
Aug	427.1	429.8	429.0	425.0
Oct	432.7	435.1	432.7	432.0
Dec	438.5	440.6	441.2	437.5
Feb	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz. — [illegible]

SILVER 5,000 troy oz; cents/troy oz. — [illegible]

COPPER 25,000 lbs; cents/lbs — [illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel — [illegible]

HEATING OIL 42,000 US galls, cents/US galls — [illegible]

COCOA 10 tonnes;$/tonnes — [illegible]

COFFEE "C" 37,500lbs; cents/lbs — [illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs — [illegible]

COTTON 50,000; cents/lbs — [illegible]

ORANGE JUICE 15,000 lbs; cents/lbs — [illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel — [illegible]

SOYABEAN OIL 60,000 lbs; cents/lb — [illegible]

SOYABEAN MEAL 100 tons; $/ton — [illegible]

MAIZE 5,000 bu min; cents/56lb bushel — [illegible]

WHEAT 5,000 bu min; cents/60lb-bushel — [illegible]

LIVE CATTLE 40,000 lbs; cents/lbs — [illegible]

LIVE HOGS 30,000 lbs; cents/lbs — [illegible]

PORK BELLIES 38,000 lbs; cents/lb — [illegible]

INDICES

REUTERS (Base: September 18 1931 = 100) — [illegible]

DOW JONES (Base: Dec. 31 1974 = 100) — [illegible]

LONDON STOCK EXCHANGE

Food shares star in firmer equities

THE US markets displayed their influence over London again yesterday, this time helping the UK equity market recover the losses of the previous session. Turnover remained unexciting but a general advance in the blue chip leaders restored the FT-SE Index to the level of New Year's Eve, still seven points below the 1800 mark. Also cheering dealers was a return of takeover speculation in the food sector, where hints of Swiss demand for United Biscuits recalled the exciting days of the Rowntree bid.

Equities opened firmly, with the market responding to signs of recovery in the dollar and a new equity peak in Tokyo, rather than to the setback on Wall Street in the previous session. Progress was slow, however, and prices struggled to hold their early gains until the downing of two Libyan jet fighters by US planes sent the dollar and Wall Street higher.

London closed on a firm note, with the FT-SE Index 10.2 points up at 1793. Seaq volume of 351.9m shares, against Tuesday's 323.8m, was unimpressive and took in a handful of speculative situations.

However, traders commented favourably on the confident undertone of the London market which stood up well against further bad news from City trading firms. In addition to Tokyo's strong return from the holidays, the UK market was responding to impressive performances in German and other European markets.

Security Pacific, the Californian bank, withdrew from making markets in fixed interest and Eurobonds in London, shedding 140 employees and predicting that these businesses were likely to remain unattractive "for three to five years".

The market was rife with tales of planned cutbacks at other major firms now that the "golden handcuffs" attached to some employment contracts signed at the time of Big Bang are running into expiry time: but the transfer of a crack pharmaceuticals analysts team from Fleming Securities to Barclays de Zoete Wedd indicated that some securities firms see the present shakeout as an opportunity to strengthen their market presence. Cazenove Securities said it was adding investment trusts to its market making list.

Immediate details of the US-Libyan air clash were sparse, but raised some fears of another sharp downturn in tourist air traffic, reflected in falls in British Airways and Ladbroke. Nerves were steadied, however, by the dollar's firmness.

The planned BP/RTZ deal, together with BP's intention to buy back some of the Kuwait stake in its equity, continued to excite the sector. Many London brokers remained critical of BP's plans, but one leading house put the oil group on its "buy" list.

Account Dealing Dates

*First Dealings:	Dec 12	Dec 28	Jan 16
Option Declarations:	Dec 22	Jan 12	Jan 26
Last Dealings:	Dec 23	Jan 13	Jan 27
Account Day:	Jan 9	Jan 23	Feb 6

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Jan. 4	Jan. 3	Dec. 30	Dec. 29	Dec. 28	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	86.90	86.85	87.03	87.20	87.30	87.76	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.93	95.97	96.01	96.01	96.13	94.39	98.67 (26/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1459.8	1447.8	1455.3	1463.1	1447.1	1438.0	1514.7 (8/8/88)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	162.1	160.7	161.9	162.6	164.6	299.3	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Di. Yield	5.04	5.06	5.04	5.01	5.06	4.32				
Earning Yld %(full)	12.73	12.78	12.72	12.65	12.78	10.82				
P/E Ratio(Net)(☆)	9.48	9.44	9.49	9.54	9.44	11.33				
SEAQ Bargains(5pm)	20,732	18,529	7,578	15,329	11,410	29,026				
Equity Turnover(£m)†	-	407.56	355.05	642.76	374.88	1334.73				
Equity Bargains†	-	13,188	9,836	14,973	11,265	31,399				
Shares Traded (ml)†	-	183.4	170.4	346.6	168.4	554.4				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1449.1	1450.2	1455.3	1455.0	1452.1	1453.3	1455.5	1458.2

DAY'S HIGH 1459.8 DAY'S LOW 1449.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 9.43 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Jan. 3	Dec. 30
Gilt Edged Bargains	73.1	29.9
Equity Bargains	85.5	63.7
Equity Value	823.8	717.6
5 – Day average		
Gilt Edged Bargains	49.1	51.1
Equity Bargains	81.3	90.9
Equity Value	952.0	1110.1

● London Report and latest Share Index: Tel. 0898 123001

Biscuits the new target

United Biscuits (UBC), widely tipped as a New Year bid target, set the foods sector alight by soaring 34p to 321p on impressive turnover of 15m shares. The initial interest in UBC was sparked by an order for 1,000 options contracts from a European investor, a move which immediately sparked speculation that a stake was being built by Jacobs Suchard, the globally ambitious Swiss confectionary group.

Although the market's initial reaction was to treat the Suchard story with scepticism — and the Swiss company refused to comment on the rumours — the scale of the business in UBC was such that by mid-afternoon talk of hostile stake-building was being taken more seriously. A possible bid price of between £4.50 and £5.00 was subsequently touted.

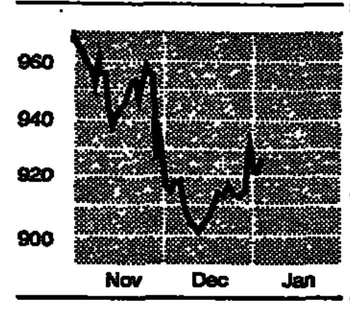
However, there were calmer voices pointing out the lack of an obvious synergy between the two groups, while Swiss sources said that Suchard was more likely to look to the Far East for an acquisition. In London, Mr Michael Lazar, analyst at Swiss Bank Stockbroking, suggested that the excitement surrounding UBC was probably a delayed reaction to the bid speculation in Unigate which saw out 1988 in such lively fashion.

"There is no hard evidence yet to suggest there is a bid about," said Lazar. "And while there are plenty of people potentially interested in United Biscuits, Suchard is by no means the most obvious choice." Procter & Gamble in the US, and several large UK conglomerates, are thought to be eyeing UBC's attractive stable of brand names.

Burmah murmour

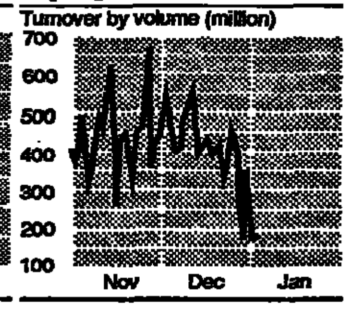
Interest in the high-profile oil and gas sector, which has tended to concentrate on the majors and the exploration and production issues in recent months, switched to Burmah yesterday, as takeover speculation returned.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Burmah shares raced up to 492p during early trading before slipping off to close a net 9½ higher at 490p with turnover expanding from recently depressed levels to 1.3m yesterday.

Talk in the market early yesterday suggested that one of the US oil majors could well be stalking Burmah, which owns the highly successful and prestigious Castrol lubricants group.

Dealers said that Pennzoil, widely reported as having made an offer to acquire the Kuwait Investment Office stake in BP at premium prices, had turned their attention to Burmah.

The appearance of a persistent buyer of Burmah stock via one of the UK's leading agency brokers, triggered the bid speculation, which was subsequently followed up by at least two of the top securities houses.

But there was considerable scepticism over the likelihood of a bid for Burmah from a US source; "this is one of the oldest stories in the market, it pops up all the time" said one analyst.

Granada funding

Granada's first public debt issue in the sterling markets curtailed enthusiasm for the shares yesterday and the price eased to 321p despite a buy recommendation from Hoare Govett, the securities house. The television rental and leisure group plans to raise £75m, using the proceeds to reduce current short-term borrowings, through bonds maturing in 2019. These will be placed on a yield basis.

Ms Paula Shea of Hoare Govett believes Granada has clearly shown that the major acquisitions and substantial investment in existing businesses made in the last few years are beginning to bear fruit. She concludes a detailed assessment: "The current rating, based on projected organic growth for the current and coming year, to a certain measure insulated from any downturn in the economy, makes Granada undervalued".

International stocks responded to firmness in the dollar, although buying interest remained somewhat sluggish. Among the better features was Fisons, 7 up at 236p with 2.6m shares traded after a "very positive lunch" in the City at the offices of County NatWest. The Fisons team reported very favourable progress for Tilade, the group's new product now selling in Germany, and also at Pennwalt, the latest US acquisition; moreover, they suggested that threats from generic rivals to Intal, Fisons respiratory product and major earner, were not materialising.

The heightened tensions in the Middle East gave a boost to crude oil prices but failed to galvanise a generally uncertain oil and gas sector.

BP were slightly upset by comment on the major plans announced on Tuesday. The terms of the RTZ purchase of BP Minerals were generally given a good reception in the Press, but there was widespread unease over the buy-back of the 790m shares from the Kuwait Investment Office. BP "old" shares settled a net 2 off at 250p, after turnover of 7.6m, while the "new" closed 2¼ off at 148¾p with 4.5m shares changing hands.

Standard Chartered were again heavily bought and touched 512p before ending a net 6 higher at 510p with turnover reaching 1.8m shares. The stock has been labelled a "buy" by CL-Alexanders Laing & Cruickshank whose banks team highlight the possibility that Lloyds Bank could bid again for Standard.

First National Finance added 4 at 229p after the 30 per cent profits rise.

Life assurances showed Pearl a disappointing performer and finally 6 lower at 416p after new business figures which provoked persistent small selling.

Sun Alliance unveiled new life business figures described as "excellent" by one analyst and the company's shares raced up 10½ to 1002p.

The housebuilding sector staged a welcome but generally tentative rally; Bryant moved up 3¼ to 115p, George Wimpey 2½ to 255½p and Tay Homes 6 to 101p.

But the major action was in Marley where dealers said stories of an imminent bid from either BPB or Boral were again doing the rounds. "I know we've heard it all before but at least there is a fair amount of buying to back up the talk this time". Marley shares settled 8½ higher at 149½p.

Johnstone Paints, involved in takeover talks with an unnamed suitor since well before Christmas, jumped 23 to 187p amid speculation that a bid is imminent.

The two Racal stocks, Racal Electronics and Racal Telecom, caught the eye as the session drew to a close with dealers noting heavy and persistent buying of both issues. "They are running together, with Telecom tending to take the lead and dragging Electronics up with them," noted one dealer in the shares.

Racal Telecom, again attracting big support from the US as well as London-based institutions, closed at a best-ever 189½p, up 5¼ on the day, after turnover of 4m. Racal Electronic were given an additional boost by talk of a stock shortage, and rushed up 12 to 288p, on turnover of 3.6m.

Plessey, where some 2.5m shares changed hands, moved higher and eventually closed 3½ better at 228p, above the level of the joint bid from GEC/Siemens which is pitched at 225p a share. The Plessey defence document is imminent, dealers say, and could well trigger either an increased bid or possibly a counter offer for the UK electronics group.

Activity in GEC picked up significantly towards the close of trading with the shares finally 3 firmer at 191p; turnover was 4m.

Ferranti were among the favourites in the electronics sector, improving to 100p at one point prior to closing 2¼ higher at 98½p; turnover was a bigger than usual 5.8m shares. Dealers continued to attribute the strength of the shares to a conviction that news on the Eurofighter radar contract and/or CT2 business is not far away.

The speculative interest in the foods sector showed no signs of abating, with last week's high-flyer Unigate adding a halfpenny at 356p in volume of 5.4m shares on talk of further buying by Mr Larry Goodman, the Irish entrepreneur who already has a near 8 per cent stake.

Cadbury Schweppes, a past bid favourite, rebounded from Tuesday's losses to gain 11 to 339p in moderate trade. Dealers said that the while everyone's attention was focussed on United Biscuits, Cadbury remained a more likely target for a bid from Switzerland's Jacob Suchard.

Hotel stocks were unsettled by worries that the latest events in the Middle East could lead to a repetition of 1986, when the bombing of Colonel Gadaffi's headquarters in Libya raised fears of terrorist retaliation in Europe and persuaded American tourists to stay at home in large numbers. Trusthouse Forte fell back to 246p before a late rally saw the shares close 4 better at 253p, while Ladbroke came under selling pressure to end the day 5 easier at 427p.

The US downing of two Libyan fighters cast a deeper shadow over prospects for air passenger traffic and British Airways came under considerable pressure. The shares lost 3 to 154p in volume of 7.4m shares, while BAA slipped 3 to 265p. On a brighter note, the latest orders and options to purchase Airbus Industrie A320 aircraft, all with the new 5-nation V2500 engines, helped Rolls-Royce edge forward late to 133¼p and British Aerospace rise 5 to 425p.

Benlox responded sharply to the news that director Mr Paul Bloomfield has increased his holding in the company to 29.36 per cent. The shares closed 7 higher at 61p. Mr Bloomfield, through his private concern Fortlodge, bought some 5.75m Benlox shares at 70p each from Dr Ashraf Marwan, who now owns only 3.67 per cent of Benlox. Tranwood, meanwhile, moved 2¼ higher to 33¼p following the French property development venture with Benlox.

Turnover in traded options recovered to 38,245 contracts, made up of 28,425 calls and 9,820 puts, as trading in the FT-SE 100 contract again ran to over a quarter of all business, and heavy dealings were seen in stocks such as Storehouse.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 21

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,700	133	+3	Commercial Union	983	338	+2½	Ladbroke	1,500	427	-5	Rothmans	137	428	+2
Allied-Lyons	514	438	+1	Cons. Gold Fields	212	£12¼	+¼	Land Securities	1,298	548	+4	Royal Bk of Scotlan.	177	350	+2
Amstrad	898	172	-2½	Cookson	549	260	+4	Laporte	97	360	+2	Royal Insurance	1,200	389	+7
Argyll Group	1,500	173	+1	Courtaulds	440	266½	+2½	Legal & General	642	289½	+1	STC	1,009	269	+2
Ass. Brit. Foods	25	304	-1	Dalgety	866	307	+5	Lloyds Bank	831	325	+3	Saatchi & Saatchi	347	330	+5
BAA	2,400	265	-3	Dixons	1,300	136	+4½	LASMO	229	479	-1	Sainsbury	303	199	+1
BAT	449	449½	-1½	Eng. China Clays	239	456	+5	Lonrho	1,308	340		Scott & Newcastle	479	309	
BET	199	224		Enterprise Oil	575	459	-2	Lucas	476	517	+8	Sears	2,809	110	+½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (26) BRITISH FUNDS (1) Treas. 3pc 1990, BANKS (3) ANZ, Bank Scot. 9¼pc Irred. Pf., Cie Bncr., BUILDINGS (2) Johnstone Paints, Newarthill, Watts Blake, CHEMICALS (1) Caird Grp., ELECTRICALS (2) GEC, Racal Telecom, ENGINEERING (2) Tyzack, Westland, FOODS (5) Barr (A.G.), Kwik Save, Low (W.), Meat Trade Sup., United Biscuits, INDUSTRIALS (3) Eurotunnel, Jardine Strategic, Shanks & McEwan, INSURANCE (1) Allianz, LEISURE (1) Capital Radio, MOTORS (1) Airflow Streamlines, PROPERTY (2) HK Land, London Shop 9pc Cv. '94-'99, SHIPPING (2) Bergesen d-y AS 'A', Lon. O'seas. Frts. 'B' Pfd., TRUSTS (8) Drayton Far East, Do. Wrrts. '92-'91, Fleming Far Eastern, J.F. Pac. Wrt. SA Co. Ord., Korea Europe, Marine Adv. Tst., Martin Currie Pac., Do. Wrrts., OILS (1) Norsk Hydro,

NEW LOWS (29) LOANS (1) N'wide Ang. 12¾pc 4.12.89, CANADIANS (2) Geodome Res., Sonora Gold, BANKS (1) Mcorp, BUILDINGS (1) Carron Phoenix, STORES (3) Hogg Robinson, PML, Sock Shop Int'l, ELECTRICALS (4) Alphameric, Kode Int'l, Nth Telecom II, VG Instr., FOODS (1) Budgens, INDUSTRIALS (6) BLP Grp., CCA Publication, Harding, Kitty Little, Page (M.), TT Grp., NEWSPAPERS (1) Southnews, PAPERS (3) Hunterprint, Osborne & Little, Serif Cowells, SHIPPING (1) P & O 5½pc Rd. Non-Cum. Pf., SHOES (1) Headlam Sims, TRUSTS (1) Bremner, MINES (3) Modder B Gold, Kloof Gold, Paragon Res.

APPOINTMENTS

Abbey Life restructure aims at synergy

ABBEY LIFE GROUP has restructured its board following the merger of five Lloyds Bank businesses with the group.

Mr Michael L. Hepher remains chairman and managing director of the group, and chairman of Abbey Life Assurance Company, Ambassador Life and Abbey Unit Trust Managers. He joins the boards of Lloyds Bowmaker, Black Horse Agencies and Lloyds Bank Insurance Services.

Mr M. Gary Jones becomes group marketing director, with responsibility for achieving inter-company synergies in the UK. In addition he will be responsible for marketing co-ordination between the UK subsidiaries and Lloyds Bank, recommending group strategy in the UK and the maintenance of overall group plans.

Mr Peter S. Constable, chief executive, Black Horse Agencies, joins the board. Mr Alan J. Frost becomes managing director of Abbey Life Assurance Company, Ambassador Life and Abbey Unit Trust Managers. Mr Stephen Maran, managing director of Lloyds Bowmaker, and Mr Kenneth P. Plummer, director responsible for Black Horse Life, Lloyds Bank Unit Trust Managers, Black Horse Financial Services, and Lloyds Bank Insurance Services, join the board.

Mr Paul A.C. Seymour becomes group director, Europe, with overall responsibility for the development of the group's operations in Europe (including Abbey Life's subsidiaries in Germany and Ireland). For a transitional period he will be deputy chairman and general manager, Abbey Life Assurance Company.

Appointed as non-executive directors are: Sir Lindsay Alexander, a non-executive director of Lloyds Bank, and a director of the British Petroleum Company, and Hawker Siddeley Group; Mr Norman W. Jones, a deputy chairman of Lloyds Bank; and Mr C. Russell Smith, a non-executive director of Lloyds Bank, and chairman of Allied Textile Companies. Mr Robin Baillie, a non-executive director, has resigned.

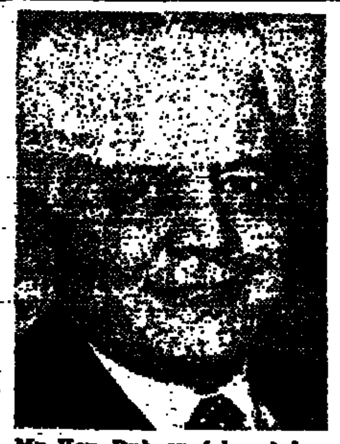
■ Mr M.S. Wilson, chief executive of Allied Dunbar Assurance, has joined the main board of B.A.T. INDUSTRIES.

■ Mr C.A. Redfern has retired as chairman of GODFREY DAVIS (HOLDINGS). He remains a non-executive director, and has been appointed president. Mr N.W. Benson, deputy chairman, succeeds Mr Redfern.

■ Mr Roy Pickering has been appointed non-executive director of HUMBERSIDE ELECTRONIC CONTROLS. He was managing director of Barton Engineering (a subsidiary of Caparo Industries). Following completion of the proposed acquisition of Audit & General Holdings, Mr Peter North, its development director, will become a director of Humberside Electronic Controls.

■ CITY SITE ESTATES has appointed Mr Barry Rose to the board as a non-executive director. He is general manager (investment) at Scottish Provident.

■ Mr Andrew Martyr, Mr James McNeill, Mr Patrick Quinn, Mr Russell Taylor and Mr Michael Walker have been appointed directors of STANDARD CHARTERED MERCHANT BANK.



Mr Ken Dubery (above) has been appointed a director of HUNTER SAPHIR and managing director of its food group. He was managing director of UB Chilled Foods.

■ Mr Ratan Engineer has been appointed group finance director on the board of BRITANNIA ARROW HOLDINGS.

■ Mr Keith Lewis-Badgett, managing director of Heron Service Stations, has been appointed a director of HERON CORPORATION.

■ Mr William M. Man has been appointed chairman and chief executive of LONDON INSURANCE BROKERS. He was managing director, and succeeds Mr J.M. Bozman, who died suddenly on December 16. London Insurance Brokers is a company jointly owned by C.T. Bowring & Co., and Minet International Professional Indemnity. It is broker to The Law Society.

■ THE NATIONAL HOME LOANS CORPORATION has appointed Mr Ian Muat and Mr Christopher Slay as executive directors; and Mr Malcolm Wells as a non-executive director. Mr Muat, who was director of strategic marketing with Citibank's consumer service group in France, joins as marketing director. Mr Slay, who was head of marketing and lending for Union Bank of Switzerland in London, becomes development director. Mr Wells is managing director of Bank in Lichtenstein (UK).

■ Mr Donald A. Young has been appointed regional chairman of BRITISH GAS WEST MIDLANDS. He was regional chairman of British Gas Southern, and takes over from Mr Cedric Brown who has been appointed director of the company's newly-formed exploration and production division.

■ Mr Richard Holland has become chief executive of BOOSEY & HAWKES. He was group finance director, and succeeds Mr Ronald Asserson who was chairman and chief executive, and who continues as non-executive chairman.

■ Mr Christopher Fitzpatrick, who joined SCHOLES GROUP last August as managing director of one of its divisions, Wylex, has been appointed to the main board.

Mr Keith Barraclough, (left) general manager, finance, has been promoted to director of finance on the board of the LEEDS PERMANENT BUILDING SOCIETY. Mr Peter Lumb, (right) general manager, systems and administration, also joins the board as information systems director.

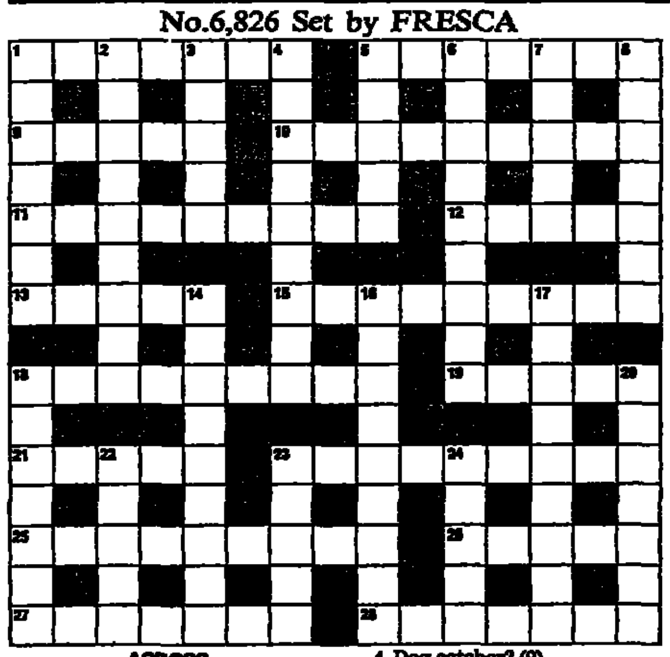
FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

CROSSWORD

No.6,826 Set by FRESCA



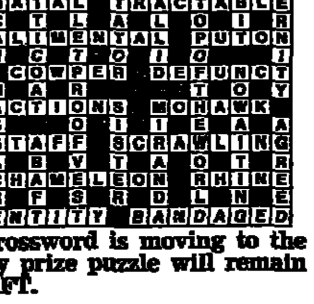
ACROSS

1 Break rule and wash? (7)
5 Make great little pictures! (7)
9 Drain repaired at lowest point (5)
10 Fishes, head to tail, following on time – or coming late? (9)
11 Puts hat back to front: makes an entrance (9)
12 Telecom management gives reader pause (5)
13 Water starting to ooze round brush (5)
15 Bachelor – extremely obnoxious, in truth; or is that saying too much? (9)
18 Coat put on by copper standing in the open (9)
19 Trusts piano will be found hidden among garden tools (5)
21 A couple to support (5)
23 It was improvised by musicians about the middle (9)
25 Building material used, for example, in silver fireplace (9)
26 Drained of colour like an egg-producer (5)
27 Epic poem? Yes, Syd, of course, starts off with it the wrong way! (7)
28 Sound American currency of old (7)

DOWN

1 Medicine fashionable in outlandish cults (7)
2 Clothing normally hidden from view beneath river (9)
3 The girl from Dartford or Islington (5)
4 *Dog catcher?* (9)
5 English lake giving one the shivers? (5)
6 Primitive garment, cool, thin, adaptable – about £1 (4-5)
7 Puzzling about high-explosive discharge (5)
8 The joy shown in cat's eyes bobbing about pointlessly (7)
14 Invaluable? Absurd! (9)
16 Lack of practice shows on old cars (9)
17 Devil every journalist called into question (9)
18 Bravo – it gives a singer the shakes! (7)
20 Where coaches may park on double lines? (7)
22 "When ——, count four; when very ——, swear" (Twain) (5)
23 Careful to protect point getting worn out (5)
24 Model train supporter in drag (5)

Solution to Puzzle No.6,825



From tomorrow's issue the Crossword is moving to the Currencies page. The Saturday prize puzzle will remain on the back page of Weekend FT.

GUIDE TO UNIT TRUST PRICING

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

INSURANCES

Black Horse Life Ass. Co Ltd

Mountbatten Hse, Chatham, Kent. 0634 834000

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
The Managed Fund		843.07	----	–
The Income Fund	437.11	460.12	----	–
The Extra Income Fund	399.79	420.84	----	–
The Wrldwd Grwth Fd.	307.51	323.70	----	–
The Balanced Fund	349.52	367.92	----	–
Smlr Co's & Rcvy Fd.	511.24	538.15	----	–
The Int Technology Fd.	302.03	317.93	----	–
The Nth Amer & Gen Fd.	207.70	218.64	----	–
The Energy Int Fd.	115.84	121.94	----	–
The Pacific Basin Fund	282.11	296.96	----	–
The German Growth Fund	110.09	115.83	----	–
The Japan Growth Fund	181.66	191.23	----	–
The UK Growth Fund	123.27	129.76	----	–
The Cont'l Eur Grth Fd.	69.79	73.47	----	–
Nth Amer S.C. & Rcvy	115.28	121.35	----	–
The Property Fund	262.86	276.70	----	–
The Fixed Interest Fd.	212.20	223.37	----	–
The Cash Fund	194.91	205.17	----	–
The Managed Invest Fd.	280.22	294.97	----	–
Pension Funds				
Managed Pen Fd.	109.96	115.75	----	–
Fixed Int. Pen Fd.	102.17	107.55	----	–
Property Pen Fd.	126.47	133.13	----	–
Cash Pen Fd.	105.58	111.14	----	–
UK Equity Pen Fd.	100.73	106.04	----	–
Nth Amer Pen Fd.	93.44	98.36	----	–
European Pen Fd.	109.38	115.14	----	–
Far East Pen Fd.	99.37	104.60	----	–

British National Financial Services

Perrymount Road, Haywards Heath 0444 414111

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	210.3	221.4	----	–
International	238.3	250.8	----	–
Property	241.6	253.7	----	–
Equity	298.5	314.3	----	–
New Technology	139.0	146.4	----	–
American	86.0	90.5	----	–
Orient	95.9	100.9	----	–
European	80.9	85.2	----	–
Fixed Interest	166.0	174.8	----	–
Deposit	136.4	143.6	----	–
Managed Series 2	209.5	220.5	----	–

Colonial Mutual Group—Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Index Link Cap.	143.79	151.37	----	–
Index Link Inv.	170.99	180.00	----	–
Managed Cap.	351.32	369.83	----	–
Managed Inv.	417.79	439.79	----	–
Unity Pensions Funds				
Managed	100.56	105.86	----	–
Deposit	100.54	105.85	----	–

Combined Insurance Co of America

15 Wheatfield Way, Kingston upon Thames, Surrey KT1 2PA. 01-546 7733

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund (Cap)	100.7	106.0	−0.6	–
Managed Fund (Acc)	107.3	112.9	−0.6	–
Managed Pens Fd (Cap)	126.6	133.2	−0.8	–
Managed Pens Fd (Acc)	136.6	143.7	−0.8	–

Commercial Union Group

St Helen's, 1 Undershaft, London EC3 01-283 7500

	Bid Price	Offer Price	+ or −	Yield Gross
Var Ann Jan 6		63.56	+0.28	–
Var (Acc) Dec 31		324.43	+1.90	–
Pens With Profit	100.8	106.2	–	–
Prime Series-Life				
Managed	257.3	270.9	+0.3	–
Reserve Managed	101.4	106.8	−0.1	–
Venture Managed	100.7	106.0	−0.3	–
UK Equity	308.3	324.6	+0.3	–
Intl Equity	192.0	202.2	+0.5	–
Property	177.3	186.7	–	–
Fixed Interest	160.0	168.5	+0.1	–
Index Lkd Gilt	113.1	119.1	–	–
Cash	137.5	144.8	–	–
Investment Tst	143.0	150.6	–	–
U/T Income Fd.	112.1	118.1	−0.5	–
U/T UK & General	108.5	114.3	−0.5	–
U/T W'wide Sp Sits Fd.	91.9	96.8	−0.6	–
U/T Gamma Fd.	78.3	82.5	−1.2	–
U/T Amer Gth Fd.	98.6	103.8	−2.0	–
U/T Euro Gth Fd.	110.9	116.8	+0.7	–
U/T Far East Gth Fd.	122.5	129.0	+1.5	–
U/T W'wide Bd Fd.	96.6	101.7	−0.4	–
David Collier & Ptnr	136.5	143.7	+0.5	–
Prime Series-Pensions				
Managed	318.9	335.7	+0.2	–

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	197.1	207.5	+0.1	–
Managed Prospect Fund	160.4	168.9	-0.1	–
UK Equity Fd	236.4	248.9	+0.5	–
Fixed Interest	159.4	167.8	-0.6	–
Pacific	231.0	243.2	+0.0	–
North American	102.9	108.4	-0.7	–
Pens. Managed	222.0	233.7	+0.1	–
Pens. UK Equity	252.2	265.5	+0.3	–
Pens. Overseas Equity	286.9	302.1	-1.5	–
Pens. Property	180.1	189.6	+8.5	–
Pens Fixed Interest	173.3	182.5	-0.5	–
Pens. Index Linked	131.5	138.5	+1.0	–
Pens. Deposit	164.8	173.5	+0.3	–
P.R.P. UK Equity	109.7	115.5	+0.1	–
P.R.P. Overseas Equity	102.2	107.6	-0.5	–
P.R.P. Fixed Interest	117.8	124.1	-0.4	–
P.R.P. Property	149.2	157.1	+7.1	–
P.R.P. Index Linked	118.1	125.2	+0.9	–
P.R.P. Deposit	113.8	119.8	+0.2	–
P.R.P. Managed	111.3	117.2	+0.0	–
P.R.P. With Profits	118.9	125.3	+0.3	–

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	292.0	307.4	+0.5	–
UK Equity	361.2	380.3	+1.0	–
Overseas Eq.	270.8	285.1	+0.5	–
Americas	201.6	212.3	-0.6	–
Far East	338.9	356.8	+1.6	–
Property	198.9	209.4	+0.1	–
Fixed Int.	217.5	229.0	+0.3	–
Indexed Gilt	127.1	133.8	–	–
Deposit	145.1	152.8	–	–
Pension Fund (Accum Units)				
Managed	377.7	397.6	+0.6	–
UK Equity	421.8	444.0	+1.5	–
Overseas Eq.	428.5	451.1	+0.6	–
Americas	270.1	284.4	-0.6	–
Far East	572.5	602.7	+3.1	–
Property	236.9	249.4	+0.2	–
Fixed Int.	250.8	264.1	+0.3	–
Indexed Gilt	137.6	144.9	–	–
Deposit	184.8	194.6	+0.1	–
NPI Pensions Management Ltd				
Managed Fund	892.1	908.0	–	–

Prices January 3 Next dealing February 1

Providence Capital Life Assc. Co Ltd
30 Uxbridge Rd, London W12 8PG 01-749 9111

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc.	180.8	190.8	-0.3	–
UK Fixed Int Acc.	142.0	149.8	-0.3	–
Intl Equities Acc.	132.5	139.6	-1.2	–
UK Managed Acc.	143.1	150.9	-0.2	–
Property Acc.	223.6	235.9	-0.4	–
Money Acc.	103.3	109.0	.....	–
Special Market Acc.	103.3	109.0	+0.6	–
Japan Equity Acc.	140.3	148.1	+0.4	–
North American Acc.	85.2	89.9	-0.1	–
Pacific Acc.	74.7	78.8	+0.1	–
Technology Acc.	106.0	111.9	-0.6	–
Nat Resources Acc.	58.6	61.9	-0.3	–
European Acc.	80.7	85.2	+0.4	–
Residential Prop Acc.	116.3	122.7	-0.7	–
Swiss Equities Acc.	31.2	33.0	+0.8	–
Hong Kong Acc.	45.7	48.3	+0.8	–
UK High Inc Eq Acc.	58.1	61.3	-0.6	–
Int Fixed Interest Acc.	49.6	52.4	-0.1	–
Int Managed Acc.	47.2	49.7	-0.3	–
NIP Managed Acc.	101.9	107.4	-0.1	–
Total Investment Bond				
UK Equity Initial		126.2	+0.2	–
UK Fixed Int Initial		99.3	-0.1	–
Intl Equities Initial		91.8	-0.8	–
UK Managed Initial		100.0	-0.2	–
Property Initial		157.4	-0.3	–
Money Initial		72.6	.....	–
Special Market Initial		82.3	+0.4	–
Japan Equity Initial		111.9	+0.4	–
North American Initial		67.9	.....	–
Pacific Initial		59.5	+0.1	–
Technology Initial		84.5	-0.5	–
Nat Resources Initial		46.7	-0.2	–
European Initial		74.3	+0.3	–
Residential Prop Init		114.1	-0.6	–
Swiss Equities Initial		30.6	+0.7	–
Hong Kong Initial		44.8	+0.7	–
UK High Inc Eq Init		56.9	-0.5	–
Int Fixed Interest Init		49.2	-0.1	–
Int Managed Init		47.0	-0.2	–
NIP Managed Init		101.6	-0.1	–
Broker Fund				
Towerhill Mngd Fd Acc.	42.2	44.5	-0.3	–
High Performance	59.9	63.1	-0.1	–
YRA Executive Fd	76.7	80.9	+0.1	–
Investment Master		33.3	-0.2	–
H.F. Specialator Fd		113.6	+0.2	–
£ High Inc Money Fd		104.4	+0.1	–

[illegible]

IoM AUTHORISED

[illegible]

BERMUDA AUTHORISED

[illegible]

OFFSHORE INSURANCES

[illegible]

JERSEY AUTHORISED

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

[illegible]

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102	99	Treas 11½pc 1989	99	.....	11.53	12.54
101	98	Treas 9½pc Cnv 1989	99	+	9.58	12.50
97½	95	Treas 3pc 1989	97½	+	3.08	10.64
102	98	Treas 10½pc 1989	99	+	10.59	12.48
102	98	Exch 10pc 1989	98	+	10.15	12.63
103	98	Exch 11pc 1989	99	+	11.10	12.32
97	94	Treas 5pc 1986-89	95	+	5.21	10.34
104	98	Exch 10¼pcCv '89	99	.....	10.34	11.31
107½	101	Treas 13pc 1990‡‡	101	+	12.85	11.75
104	99	Exch 11pc 1990‡‡	99	+	11.09	11.76
107	100	Exch. 12½pc 1990	100	+	12.40	11.79
93	90	Treas. 3pc 1990	91	+	3.28	9.99
99	95	Treas 8¼pc 1987-90‡‡	95	+	8.58	11.18
102	95	Treas. 8pc Cv 1990 ‡‡	96	-	8.30	10.64
103	97	Treas. 10pcCv 1990	97	+	10.24	11.44
91	87	Exch 2½pc 1990	88	+	2.84	9.53
107	100	Treas 11¾pc 1991	100	.....	11.66	11.31
95	89	Funding 5¾pc '87-91‡‡	90	+	6.37	10.73
90	86	Treas. 3pc 1991	86	-	3.47	9.53
105	97	Treas 10pc Cv '91 ‡‡	98	-	10.15	10.68
107	98	Exch. 11pc 1991	99	.....	11.02	11.05
98	91	Treas. 8pc 1991	92	+	8.65	11.05
113	103	Treas 12¾pc 1992‡‡	104	-	12.15	10.82
104	96	Treas 10pc 1992	97½	.....	10.24	10.88
98	91	Treas. 8pc 1992 ‡‡	92	-	8.69	10.92
106	98	Treas 10½pc Cv 1992‡‡	99	+	10.59	10.81
86	81	Treas. 3pc 1992	82	+	3.64	9.09
112	102	Exch. 12¼pc '92	103	-	11.77	10.82
117	106	Exch 13½pc 1992	107	-	12.49	10.77
97	91	Treas 8¼pc 1993	92	-	8.94	10.57
105	96	Treas 10pc 1993‡‡	98	.....	10.17	10.47
115	105	Treas 12½pc 1993‡‡	106	.....	11.73	10.65
93	85	Funding 6pc 1993‡‡	86	+	6.97	9.76
121	110	Treas 13¾pc 1993‡‡	111	.....	12.32	10.64

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%.

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
154p	44p	♥Unilab	154p	.....	–	–	–
24	17¾	Utd. Technologies	22½	–⅛	$1.60	–	4.0
163p	27p	♥UUItech Inc.	128p	.....	–	–	–
34½	26¼	US West‖	31½	–⅛	$3.52	–	6.2
24¾	16¾	Waste Management $1	22¼	+⅛	48c	–	1.2
16⅞	12⅞	Whirlpool $1	13⅞	+⅛	$1.10	–	4.5
20⅝	15¼	Whitman Corp.	16⅞	.....	96c	–	3.3
33⅞	18¼	♥Woolworth $3½	28¼	.....	$1.64	–	3.2

CANADIANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	138p	♥ABM Gold Corp ‖	144p	–6	–	–	–
32p	7p	♥Abbot Energy Corp.	7p	.....	–	–	–
14¼	882p	♥Amer. Barrick Res.	989p	+5	–	–	–
10p	2½p	♥Amer. Lightwave ‖	2½p	.....	–	–	–
47p	7½p	♥Armeno	17p	–1½	–	–	–
76p	24p	♥Augmitto Expln.	29½p	+4	–	–	–
14⅜	10⅝	Bk. Montreal ‖	12⅞	.....	$2.00	–	7.1
769p	514p	Bk. Nova Scot. ‖	657p	–16	76c	–	5.3
18⅜	15¼	BCE ‖	17⅛	–⅛	$2.44	–	6.5
716p	527p	♥Bow Valley‖	570p	–17	♦40c	–	3.2
13⅝	10½	♥Brascan‖	12¼	–⅛	88c	–	3.3
328p	177p	♥Breakwater Res.	184p	.....	10c	–	2.5
12⅝	801p	Can. Imp Bank‖	11¼	–⅛	$1.16	–	4.7
11½	841p	Can. Pacific ‖	997p	–15½	76c	–	3.5
41½	38½	Do. 4pc Deb £100	38½	.....	4%	–	10.4
515p	357p	Central Capital "A" ‖	380p	–11	–	–	–
485p	313p	♥Corona Corp.	340p	.....	–	–	–
886p	233p	♥Cons TVX Min.	253p	.....	–	–	–
371p	35p	♥Danbus Man. Syst. ‖	36½p	–5	–	–	–
686p	430p	♥Derlan Inds. ‖	535p	–6	11.75c	–	1.0
14⅛	746p	♥Echo Bay Mines	764p	–5	$0.07	–	0.4
839p	249p	♥ECO Corp ‖	455p	–5	–	–	–
40p	11½p	♥Energex Minerals‖	14½p	+½	–	–	–
125p	83p	♥Euro-Asia Capital ‖	99p	.....	–	–	–
386p	196p	♥Galactic Resources	214p	.....	–	–	–
423p	267p	Gandalf Techs. Inc.	296p	–8	–	–	–
125p	41p	♥Geodome Res.	41p	–5	–	–	–
394p	141p	Granges Expln‖	159p	–2	–	–	–
17p	4½p	♥Gt. Pacific Res.	6p	.....	–	–	–
903p	576p	♥Gulf Canada‖	651p	–16	52c	–	3.6
12⅝	816p	♥Hawker Sid Can‖	10¼	.....	$1.08	–	5.1
590p	344p	♥Henlys Group	484p	–10	–	–	–
11¼	785p	♥Hudson's Bay ‖	11½	–⅛	60c	–	2.4
28	20¼	♥Imperial Oil‖	23	.....	$1.80	–	3.6
20⅞	10⅛	Inco‖	14⅛	–⅛	US$0.80	–	3.1
718p	462p	♥Inland Nat. Gas $1	599p	.....	60c	–	4.6
250p	160p	♥Madeleine Mines	186p	+1	–	–	–
207p	126p	♥Muscocho Expln.	184p	.....	–	–	–
187p	45p	♥Nat Business Sys. ‖	52p	+5	–	–	–
245p	91p	♥Nevada Goldfields	105p	+1	–	–	–
12	787p	♥Rio Algom	10⅞	–⅛	$1.30	–	5.4
17⅝	11½	Royal Bk. Can. ‖	17¼	–⅛	$2.08	–	5.5
35¼	26⅛	Seagram‖	33½	–⅛	US$1.20	–	2.0
361p	78¼p	♥Sonora Gold Corp‖	78½p	–4½	–	–	–
121p	18p	♥Spiral Eng ‖	39p	.....	–	–	–
150p	35p	♥Taro Pure Tech. Corp‖	74p	.....	–	–	–
18⅜	11⅜	Toronto-Dom. Bk.‖	16¼	–⅛	$1.12	–	3.1
719p	566p	♥Trans Can Pipe	686p	–4	68c	–	4.5
205p	127p	Varity Corp‖	157p	+3	8	–	–

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا صدر الأصل

LONDON SHARE SERVICE

• Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
• "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Dealt in under Rule 535(3).
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♦ Not comparable
♦ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value
B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ψ	67	.....
Craig & Rose £1 ψ	710	.....
Finlay Pkg. 5p ψ	86	.....
Holt (Jos) 25p ψ	£11½	+¼

IRISH

Cap. 8½% Ln. 1991	£99⅝	.....
9pc Cap Ln. 1996	£101½	−½
Fin. 13% 97/02	£124¼	.....
Arnotts	380	−5
Carrol (P.J.) ψ	145	.....
Grafton Grp. ψ	143	.....
Hall (R. & H.)	152	.....
Heiton Hldgs. ψ	61	+1
Irish Ropes	175	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	98
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk.	35
Morgan Grenfell	28
NEI	12
Nat West Bk.	45
P & O Dfd.	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intel.	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit. Land	30
Land Securities	52
MEPC	30
Peachey	54

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Clash with Libya boosts dollar

SPECULATION ABOUT higher US interest rates, and rising tension between the US and Libya, pushed the dollar up to its highest levels since early November yesterday.

As trading volumes on the foreign exchanges picked up after the Christmas and New Year holidays, demand for the dollar increased.

The market was already in the mood to buy dollars when the news broke during the European morning that US carrier borne aircraft had shot down two Libyan jet fighters over the Mediterranean.

Rising world tension invariably leads to a rush to buy dollars and yesterday was no exception, but the underlying factor likely to keep the dollar firm in the immediate future is speculation that strong US economic growth will produce higher interest rates.

It has been suggested the Federal Reserve will raise its discount rate if tomorrow's figures on December US employment do not show a sharp down turn from November's rise of 463,000 in non-farm payrolls.

The market is expecting a rise of about 260,000 in payrolls, and may regard any figure of over 300,000 as a further excuse to buy the dollar.

On the other hand a rise of 1/2 p.c. to 7 p.c. in the US discount rate is already largely discounted in the dollar's value.

Dealers said fear of intervention by the Bundesbank to cap the dollar's rise is beginning to fade, although it is generally believed the West German central bank does not wish to see the dollar above DM1.80.

There was some suggestion of open market sales yesterday, but this could not be substantiated, and any move by the Bundesbank may have been just a commercial operation.

The Bundesbank sold $20.8m, when the dollar was fixed at DM1.7783 in Frankfurt, compared with DM1.7620 on Tuesday.

At the London close the dollar had climbed to DM1.7875 from DM1.7645; to Y125.00 from Y123.60; to SFr1.5190 from SFr1.4975; and to FFr6.1000 from FFr6.0250.

On Bank of England figures, the dollar's exchange rate index rose to 65.6 from 64.8.

The dollar's rally began in late New York trading on Tuesday, and continued yesterday in the Far East.

Traders in Tokyo returned from the long New Year holiday weekend, and began buying dollars, partly for commercial reasons, but also in expectation of rising US interest rates.

High interest rates, and the threat that inflationary pressure could lead to yet higher UK bank base rates, boosted sterling against major currencies other than the dollar.

Sterling fell 1.55 cents to $1.8075, but rose to DM3.2300 from DM3.2175; to Y226.00 from Y225.25; to SFr2.7450 from SFr2.7300; and to FFr11.0250 from FFr10.9850.

London's interest rate advantage over Frankfurt pushed the pound up to a peak of DM3.2350, taking it close to a strong technical resistance level of DM3.2400.

The pound's exchange rate index closed unchanged at 97.9.

£ IN NEW YORK

Jan.4	Latest	Previous Close
£ Spot	1.8060-1.8070	1.8225-1.8235
1 month	0.60-0.58pm	0.60-0.58pm
3 months	1.68-1.64pm	1.67-1.64pm
12 months	5.25-5.15pm	5.18-5.08pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

Jan.4		Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

	Bank rate %	Special* Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates are for Jan.4

CURRENCY MOVEMENTS

Jan.5	Bank of England Index	Morgan* Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for Jan.4

OTHER CURRENCIES

Jan.4	£	$
[illegible]	[illegible]	[illegible]
U.A.E.	6.6260-6.6390	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6275	+2.75	+0.85	±1.5344
Danish Krone	7.85212	8.02826	+2.24	+0.34	±1.5404
German D-Mark	2.05853	2.08076	+1.08	-0.82	±1.0981
French Franc	6.90403	7.10677	+2.94	+1.04	±1.3674
Dutch Guilder	2.31943	2.34891	+1.27	-0.63	±1.5012
Irish Punt	0.768411	0.778663	+1.33	-0.57	±1.6684
Italian Lira	1483.58	1531.43	+3.23	+2.07	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8040 - 1.8250	1.8070 - 1.8080	0.57-0.54cpm	3.68	1.62-1.57pm	3.53
Canada	2.1555 - 2.1740	2.1555 - 2.1565	0.45-0.33cpm	2.17	1.15-1.01pm	2.00
Netherlands	3.63¾ - 3.65¼	3.64¼ - 3.65¼	2¼-2⅛cpm	7.20	6½-6¼pm	7.06
Belgium	67.50 - 67.95	67.65 - 67.75	34-29cpm	5.58	96-88pm	5.44
Denmark	12.44 - 12.47¾	12.46¾ - 12.47¾	5⅞-5¼orepm	5.23	16⅞-15¼pm	5.15
Ireland	1.2040 - 1.2110	1.2080 - 1.2090	0.52-0.47ppm	4.92	1.50-1.40pm	4.80
W. Germany	3.22 - 3.23½	3.22¾ - 3.23¾	2¼-2pfpm	7.66	6-5¾pm	7.28
Portugal	263.80 - 266.15	263.95 - 264.95	38-parcpm	0.86	60pm-33dis	0.20
Spain	203.85 - 205.35	204.55 - 204.85	29-18cpm	1.67	43-31pm	0.72
Italy	2370½ - 2377¾	2375 - 2376	4-2lirepm	1.52	9-4pm	1.09
Norway	11.85¾ - 11.89½	11.87½ - 11.88½	1⅛-1orepm	1.20	4⅜-4⅛pm	1.54
France	11.00¼ - 11.04¾	11.02 - 11.03	4⅛-3⅞cpm	4.35	12-11⅝pm	4.29
Sweden	11.09½ - 11.12½	11.11½ - 11.12½	2⅞-2¼orepm	2.90	7⅞-7⅝pm	2.74
Japan	225½ - 226½	225½ - 226½	1⅝-1½ypm	8.30	4⅝-4½pm	8.08
Austria	22.60 - 22.73	22.69 - 22.72	13¾-12⅞gropm	6.94	40⅜-38¼pm	6.94
Switzerland	2.73¾ - 2.75	2.74 - 2.75	1⅞-1¾cpm	7.92	5⅛-5¼pm	7.74

Belgian rate is convertible francs. Financial franc 67.90-68.00. Six-month forward dollar 3.00-2.95cpm 12 months 5.05-4.95cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8040 - 1.8250	1.8070 - 1.8080	0.57-0.54cpm	3.68	1.62-1.57pm	3.53
Ireland†	1.4925 - 1.5075	1.4965 - 1.4975	0.24-0.29cdis	-2.12	0.52-0.62dis	-1.52
Canada	1.1900 - 1.1965	1.1920 - 1.1930	0.13-0.17cdis	-0.93	0.44-0.48dis	-0.95
Netherlands	1.9965 - 2.0220	2.0175 - 2.0185	0.63-0.60cpm	3.66	1.77-1.72pm	3.46
Belgium	37.05 - 37.55	37.40 - 37.50	7.00-5.00cpm	1.93	19.00-16.00pm	1.87
Denmark	6.83½ - 6.90¼	6.89¾ - 6.90¼	1.05-0.65orepm	1.48	2.90-2.30pm	1.51
W. Germany	1.7675 - 1.7910	1.7870 - 1.7880	0.58-0.55pfpm	3.80	1.67-1.63pm	3.70
Portugal	146¼ - 147¼	146¾ - 147¼	20-45cdis	-2.66	80-130dis	-2.86
Spain	112.30 - 113.25	113.05 - 113.15	15-20cdis	-1.86	75-82dis	-2.78
Italy	1301¼ - 1316	1314 - 1314½	1.50-2.50liredis	-1.83	7.00-9.00dis	-2.44
Norway	6.50½ - 6.57½	6.57 - 6.57½	1.20-1.45oredis	-2.43	3.30-3.60dis	-2.11
France	6.03¾ - 6.11	6.09¾ - 6.10¼	0.35-0.25cpm	0.59	1.10-0.90pm	0.66
Sweden	6.09¼ - 6.15½	6.15 - 6.15½	0.25-0.50oredis	-0.73	0.90-1.40dis	-0.75
Japan	123.95 - 125.15	124.95 - 125.05	0.52-0.50ypm	4.90	1.46-1.43pm	4.63
Austria	12.43¾ - 12.55¾	12.53½ - 12.54	3.65-3.05gropm	3.22	11.50-9.90pm	3.43
Switzerland	1.4995 - 1.5215	1.5185 - 1.5195	0.57-0.54cpm	4.39	1.62-1.57pm	4.21

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.55-37.65.

EURO-CURRENCY INTEREST RATES

Jan.4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅞-9⅝ per cent; three years 10-9⅞ per cent; four years 10-9⅞ per cent; five years 10-9⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.4	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilt prices depressed

A FALL in gilt futures reflected the sombre mood in the Liffe long gilt sector yesterday. Early trading had suggested that Tuesday's success in holding above support at 95-00 could be built upon, after the contract edged up from an opening level of 95-07, to touch a high of 95-11.

However, sentiment was soon reversed in the afternoon, and the contract broke through support levels to finish at 94-30, down from 95-05 on Tuesday. Worries about consumer spending in December - due for release on January 16 - undermined sentiment, while feelings on the trading floor were not helped by the withdrawal of another market maker in gilts.

Short sterling futures, by contrast, confounded most expectations to finish firmer on the day. The March contract opened at 86.97 and had been expected to test support at 86.88, on fears of higher base rates. However, sterling's early improvement exerted pressure on bear positions, and the resulting squeeze saw values pushed up to a high of 87.09, before finishing at 87.01, up from 86.95.

LIFFE LONG GILT FUTURES OPTIONS / LIFFE US TREASURY BOND FUTURES OPTIONS / LIFFE FT-SE INDEX FUTURES OPTIONS / LIFFE $/£ OPTIONS / LIFFE EURODOLLAR OPTIONS / LIFFE SHORT STERLING / LONDON SE £/$ OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts [illegible]	Puts [illegible]
1.750	5.56	5.89	6.35	7.34	0.05	0.72	[illegible]	[illegible]
1.775	3.28	3.99	4.67	5.89	0.27	1.41	[illegible]	[illegible]
1.800	1.56	2.48	3.15	4.65	0.97	2.55	[illegible]	[illegible]
1.825	0.54	1.53	2.22	3.63	2.26	3.87	[illegible]	[illegible]
1.850	0.11	0.84	1.45	2.78	4.43	5.68	[illegible]	[illegible]
1.875	0.03	0.40	0.89	2.09	6.77	7.73	[illegible]	[illegible]
1.900	0.01	0.15	0.51	1.58	9.22	9.97	[illegible]	[illegible]

Previous day's open int: Calls 316,330 Puts 296,169
Previous day's volume: Calls 9,442 Puts 34,738

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	94-30	95-11	94-29	95-05
Jun	96-08	96-20	96-10	96-17

Estimated Volume 14905 (8706)
Previous day's open int. 26056 (26084)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	92-18			92-19
Jun				

Estimated Volume 0 (0)
Previous day's open int. 18 (18)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Mar	106.22	106.45	106.22	106.85
Jun	105.27			105.90

Estimated Volume 123 (69)
Previous day's open int. 416 (416)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Mar	87.01	87.09	86.95	86.95
Jun	87.64	87.70	87.58	87.57
Sep	88.20	88.22	88.16	88.13
Dec	88.56	88.58	88.52	88.50

Est. Vol. (inc. figs. not shown) 20192 (12547)
Previous day's open int. 45758 (45593)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Mar	182.00	182.50	181.40	181.90
Jun	184.15	183.80	183.80	184.05
Sep				

Estimated Volume 1510 (1965)
Previous day's open int. 13719 (13347)

THREE MONTH EURODOLLAR / US TREASURY BONDS / 6% NOTIONAL GERMAN GOVT. BOND / POUND-$ (FOREIGN EXCHANGE)

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8075	1.8020	1.7916	1.7778	1.7575

[illegible]-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.7950	1.8026	1.7934	1.8098
Jun	1.7780	1.7890	1.7780	1.7938
Sep	1.7770	-	1.7770	1.7820

CHICAGO

U.S. TREASURY BONDS (CBT) 8% / U.S. TREASURY BILLS (IMM) / JAPANESE YEN (IMM) / DEUTSCHE MARK (IMM) / THREE-MONTH EURODOLLAR (IMM) / SWISS FRANC (IMM) / STANDARD & POORS 500 INDEX

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEDLLOYD P	Fl. 280	166	5.90	125	16 A	2	26	Fl. 286
NAT.NED. C	Fl. 65	508	3.90	205	5.80	4	6.30	Fl. 68.80
NAT.NED. P	Fl. 70	131	1.70	43	3	14	4.50	Fl. 68.80
PHILIPS C	Fl. 35	2592	1.10	1232	2.40	332	2.70	Fl. 35.50
PHILIPS P	Fl. 35	147	0.70	891	2.10	7	2.60	Fl. 35.50
ROYAL DUTCH C	Fl. 240	594	0.50	1067	5.40	9	7.50	Fl. 230.60
ROYAL DUTCH P	Fl. 240	295	9.40	250	11	-	-	Fl. 230.60
ROBECO C	Fl. 100	4	0.30	53	1.60	-	-	Fl. 97.40
UNILEVER C	Fl. 120	269	1.50	302	5.60	52	7	Fl. 118.80
UNILEVER P	Fl. 120	90	2.50	507	5.40	52	7.50	Fl. 118.80
VAN OMMEREN C	Fl. 35	80	0.80	104	2.40	16	2.80 A	Fl. 35.10
WESSANEN C	Fl. 85	23	0.80	62	3.50	10	5	Fl. 83.20

TOTAL VOLUME IN CONTRACTS : 51,519
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Comm.Bk.N.East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	13
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williams Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	14	TSB	13
Bank Leumi (UK)	13	● Robert Fleming & Co.	13	United Bk of Kuwait	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Mizrahi Bank	13
Bank of Cyprus	13	Girobank	13	Unity Trust Bank Plc	13
Bank of Ireland	13	● Guinness Mahon	13	Western Trust	13
Bank of India	13	HFC Bank plc	13	Westpac Bank Corp.	13
Bank of Scotland	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Yorkshire Bank	13
Barclays Bank	13	● Hill Samuel	§13		
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	§13.95		
Citibank NA	13	Mount Banking Corp.	13		
		Nat Bk. of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.22% Savewise 8.47%. Top Tier-£10,000+ instant access 11.72% § Mortgage base rate. § Demand deposit 8%. Mortgage 13.625% - 14.00%

MONEY MARKETS

London rates lower

UK INTEREST rates were slightly lower yesterday, helped by sterling's steady to firmer tone. However, most traders see the extent of any decline in rates as limited. Warnings by Mr Nigel Lawson, UK Chancellor of the Exchequer, about his determination to hold down inflation, if necessary through higher interest rates, continue to hold sway. Sentiment is likely to remain clouded until the release of UK economic data for December, later this month.

UK clearing bank base lending rate
13 per cent
from November 25

The key three-month interbank rate was quoted at 13⅛-13⅛ p.c., down from 13¼-13⅛ p.c. Overnight money opened at 13¼-13 p.c., and touched a high of 14 p.c. before finishing closer to 11 p.c.

The Bank of England forecast a shortage of around £500m, with factors affecting the market including bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance draining £171m. Exchequer transactions accounted for a further £335m, while banks brought forward balances £75m below target. These were partly offset by a fall in the note circulation of £100m.

The forecast was revised to a shortage of around £750m, and the Bank gave assistance in the morning of £112m, through outright purchases of eligible bank bills in band 4 at 12⅞ p.c. Further help in the afternoon came to £247m and comprised purchases of £94m of eligible bank bills in band 1 at 12⅞ p.c., £21m in band 2 at 12⅞ p.c., £131m in band 3 at 12⅞ p.c., and £1m in band 4 at 12⅞ p.c. Late help came to £270m, making a total of £629m.

In Frankfurt, the West German Bundesbank allocated a total of DM31.6bn at yesterday's two tranche sale and repurchase tender. DM24.1bn was allotted via a 28-day, 5 p.c. fixed agreement, and DM7.5bn through a 56-day agreement, at rates between 5.20 p.c. and 5.5 p.c. Successful applicants receive their allocations today, coinciding with the maturity of two previous agreements which will drain DM27.9bn.

Short term interest rates were marked down on the net DM3.7bn injection of fresh funds, the latter seen as indicating the Bundesbank's desire to see call money fall below the 5.5 p.c. Lombard rate. However, traders remain convinced that the authorities will continue to pursue a tight monetary stance.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.4) 3 months US dollars		6 months US Dollars	
bid 9¼	offer 9⅜	bid 9⅞	offer 9⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10½	One month	7.27	Three year	9.24
Broker loan rate	10¼-¾	Two month	7.77	Four year	9.25
Fed.funds	9⅞	Three month	8.51	Five year	9.23
Fed.funds at intervention	9⅞	Six month	8.87	Seven year	9.27
		One year	9.10	10-year	9.20
		Two year	9.25	30-year	9.08

Jan.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.35-5.40	5.25-5.45	5.25-5.45	5.30-5.50	5.40-5.60	5.50
Paris	8⅜-8½	8½-8⅝	8½-8⅝	8½-8⅝	8⅞-8⅞	7.25
Zurich	4⅜-4⅝	4⅝-4⅞	-	4⅞-5⅛	-	-
Amsterdam	4.12-4.25	5.62-5.72	-	5.75-5.85	-	-
Tokyo	4.09375	4.53125	-	4.59375	-	-
Milan	11½-11⅝	11½-12	-	11⅝-12⅛	-	-
Brussels	5.00	7⅛-7⅞	-	7⅛-7⅞	-	-
Dublin	7½-7¾	7¾-8	8-8¼	8⅛-8⅜	8⅜-8⅜	-

LONDON MONEY RATES

Jan.4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	13	13	13⅛	13⅛	13⅛
Interbank Bid	11	12⅞	12⅞	13⅛	13⅛	12⅞
Sterling CDs	-	-	12⅞	13⅛	12⅞	12⅞
Local Authority Deps.	12	12⅞	12⅞	13⅛	13⅛	12⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13½	12⅞	12⅞	12⅞	-	-
Company Deposits	-	-	12⅞	13⅛	13⅛	13
Finance House Deposits	-	-	13	13⅛	13⅛	12⅞
Treasury Bills (Buy)	-	-	12⅞	12⅞	-	-
Bank Bills (Buy)	-	-	12⅞	12⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	13⅞	13⅞	13	-
Dollar CDs	-	-	9.15-9.10	9.25-9.20	9.45-9.40	9.65-9.60
SDR Linked Dep Offer	-	-	7⅞	7⅞	8	8⅛
SDR Linked Dep Bid	-	-	7⅞	7⅞	7⅞	7⅞
ECU Linked Dep Offer	-	-	8⅛	8¼	8⅜	8⅜
ECU Linked Dep Bid	-	-	7⅞	8⅛	8⅜	8⅜

Treasury Bills (sell); one-month 12⅞ per cent; three months 12⅞ per cent; Bank Bills (sell); one-month 12⅞ per cent; three months 12⅞ per cent; Treasury Bills; Average tender rate of discount 12.5083 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 30, 1988. Agreed rates for period January 25, 1989 to February 25, 1989, Scheme I: 13.97 p.c., Schemes II & III: 14.37 p.c. Reference rate for period December 1 to December 30, 1988, Scheme IV&V: 13.173 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13 from January 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July.5,1988, Deposits withdrawn for cash 5 per cent.

BUSINESS LAW

Shareholders and leverage

By Leo Herzel and Richard W. Shepro

THE recent RJR-Nabisco takeover illustrates one of the key points about leveraged buyouts (LBOs): US legal rules and competition from other bidders make it very hard for managements to hand themselves too rich a deal at the expense of shareholders. Some managements win a lot and there may be some very big losers, such as bondholders, but shareholders seem to be the big winners (1) because state corporation fiduciary law protects them, but usually not the other interested parties.

The conflict of interest between shareholders and management is reduced by special board committees to which, in Delaware and other states, a board of directors may delegate most of its powers.

Such a committee, armed with independent legal and investment banking advisers, quickly develops its own strong - sometimes truculent - personality. Even if, in the past, the members had followed the chief executive officer (CEO), they tend to take their special committee responsibilities very seriously. They must do so for their own legal reasons and to protect their reputations, but there are also important psychological factors. Committee members, like actors, frequently develop intense feelings about the roles to which they have been assigned.

A competent CEO usually knows much more about the company than any other bidder. Moreover, up to the point when a special committee takes over, the CEO is still very much in charge. He can put a company in play by making a bid, as Mr Johnson of RJR Nabisco did, whether the board likes it or not. Part of a special committee's job is to reduce the CEO's advantages as much as is practical by assuring competing bidders of access to detailed information about the company and time in which to digest it.

In the case of RJR Nabisco, the special committee took charge very quickly. It did not favour or even attempt to please Mr Johnson. In fact, it appears to have solicited competing bidders with fervour. Psychological factors, such as feelings of betrayal, moral disapproval and envy were probably contributing factors to this aggressive independence.

Since committees must insist on receiving competing bids, management LBOs often lose out to other higher bids as did Mr Johnson. In fact, the impossibility of assuring success makes it difficult for investment bankers to market LBOs to CEOs. The most obvious candidates are CEOs who are already facing a bid and have little to lose. However, some CEOs need little prompting from investment bankers. They have the proclivity and ability to win even when they lose. Mr Johnson, for example, the loser in his LBO bid for RJR, stands to gain many millions of dollars in severance benefits and profits from RJR.

For courts, special committees are an ideal solution to the struggle over takeover spoils between shareholders and management. Courts favour procedure because they are expert at it. While a court is not a good judge of whether a company was sold for the best possible price, it can be an excellent judge of whether a special committee used the right procedure to sell the company.

Procedural solutions are particularly attractive for the Delaware Supreme Court which, like other supreme courts, is a quasi political institution. A tough procedural stance helps it to satisfy both shareholders of target companies and corporation managements and lawyers. Shareholder organisations are feared because they can increase the risk that a federal law of incorporation will displace Delaware law. On the other side, managements and their lawyers decide whether to incorporate in Delaware or another state.

Another procedural device favoured by the Delaware courts in LBOs is an auction (2). However, if there is a special committee, an auction requirement probably adds more rigidity than shareholder protection. Beyond LBOs, the exact scope of the auction requirement in Delaware takeover law is not clear.

There were intense disputes in both the RJR Nabisco and Macmillan takeovers over the fairness of the auction process. In an auction at Sotheby's the procedure is simple. When the hammer goes down the bidding on that lot is over. By contrast, when investment bankers conduct auctions they usually try to force the bids up higher through formal or informal rounds of bidding. As today's dupe is tomorrow's potential client, investment bankers must not appear too unfair. Nevertheless, they tend to be vague about details of their auction procedures when they think it will boost the price.

However, after the Delaware Supreme Court's decision in the *Macmillan* case, the danger of a lawsuit by an outraged bidder probably will be the most potent pressure to assure fairness (3). In the Macmillan auction, Robert Maxwell made a higher bid after Macmillan declared KKR the winning bidder. Macmillan's investment bankers informed Mr Maxwell that he was too late. He quickly returned to the Delaware courts where he already had a suit pending against Macmillan, and the Delaware Supreme Court invalidated the deal with KKR. The court baulked at several imperfections in the auction procedure - for example, the top management of Macmillan had disclosed Maxwell's bid to KKR, the bidder it favoured. The Supreme Court reversed a rather sophisticated trial court opinion in which the Vice Chancellor had reluctantly accepted the flawed auction procedure. It may have been important to the Supreme Court that there was no special committee, although the majority of the board were outsiders. We cannot be sure until the court gives the reasons for its decision.

In the RJR Nabisco auction, the initial bidding was extended to let in a third bidder. Then, after the last bids were due, the special committee accepted the winning KKR bid. Some of the participants in the management bid complained bitterly but accepted the special committee's decision without going to court - probably wisely: Delaware courts were unlikely to view favourably a management, proposing an enormously profitable LBO for itself, while complaining about the unfairness of the special committee's procedures.

As courts, particularly the Delaware Supreme Court, like to base decisions on procedure, special committees and auctions have become very important in LBOs and other takeovers, protecting shareholders. Bondholders and other interests are left out in the cold.

However, changes may not be far away. In the last few years many state corporation statutes have been changed to give boards the power to consider other interests in takeover contests such as employees and suppliers (4). Delaware, however, has not been tempted into making the change so far. Other interests have less political influence in Delaware. Economists, after a long period of euphoria over the social benefits of takeovers, have become conscious of interests other than shareholders in takeovers (5). Institutional investors have suddenly discovered that they are losing as bondholders while they are winning as stockholders in LBOs (6). Furthermore, Congress is scrutinising the public interest aspect of LBOs and other takeovers (7). Soon shareholders may no longer be such big winners in these transactions.

(1) *Jarrell, Brickley and Netter, "The Market for Corporate Control: the Empirical Evidence Since 1980", Journal of Economic Perspectives, 49, (1988).*
(2) *See Revlon Inc v MacAndrews & Forbes Holdings Inc, 506 A2d 173 (Del.S.Ct. decided 1985, opinion published 1986).*
(3) *Mills Acquisition Co v Macmillan Inc Del.S.Ct. Nos.415 & 416, decided November 2, 1988, opinion not yet published.*
(4) *The Illinois Statute, for example, provides that directors may "consider the effects of any action upon employees, suppliers, and customers of the corporation, communities in which offices or other establishments of the corporation are located and all other pertinent factors". Ill. Rev. Stat., Ch.32, Sec.8.85 (1987).*
(5) *Shleifer and Summers, "Breach of Trust in Hostile Takeovers", Auerbach, editor Corporate Takeovers: Causes and Consequences, Chicago and London (1988).*
(6) *Metropolitan Life Insurance Co v RJR Nabisco Inc and F Ross Johnson, amended complaint filed in the US. Dist.Ct. Southern District of New York, 88 Civ.8266, December 4, 1988. Hartford Accident and Indemnity Company and Hartford Fire Insurance Company v RJR Nabisco Inc, complaint filed in the US. Dist.Ct. for the S.D.N.Y., Civ.8149, November 16, 1988.*
(7) *Kaplan, "management Buyouts: Evidence on Taxes as a Source of Value", unpublished paper, September 1988.*

The authors are partners in the Chicago law firm of Mayer, Brown and Platt.

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

HOLLAND / ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

JAPAN [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices January 4

[illegible]

f–No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Jan 3	Dec 30	Dec 29	Dec 28	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2144.64	2168.57	2182.68	2166.43	2183.50 (21/10/88)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.47	88.59	88.53	88.78	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	959.95	969.84	973.61	965.62	973.61 (29/12/88)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.15	186.28	186.82	185.93	190.02 (29/1/88)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2168.39 (2193.75) Low 2127.14 (2162.50)

STANDARD AND POOR'S	Jan 3	Dec 30	Dec 29	Dec 28	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite‡	275.31	277.72	279.40	277.08	282.88 (20/10/88)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	318.66	321.26	323.38	320.49	327.53 (24/10/88)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.30	24.49	24.63	24.49	26.42 (20/10/88)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	154.98	156.26	156.90	155.81	159.01 (20/10/88)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	305.24	306.01	303.69	302.14	309.33 (10/6/88)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	378.56	381.38	379.05	376.76	394.77 (18/7/88)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec 30	Dec 23	Dec 16	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.70	3.73	3.57
	Dec 28	**Dec 21**	**Dec 14**	**year ago (approx.)**
S & P Industrial div. yield	3.20	3.19	3.22	3.31
S & P Indl. P/E ratio	12.86	12.86	12.73	16.39

TRADING ACTIVITY †Volume Millions	Jan 3	Dec 30	Dec 29
New York	128.500	127.210	131.290
Amex	7.090	16.240	12.650
OTC	93.658	136.938	121.138

NEW YORK	Jan 3	Dec 30	Dec 29
Issues Traded	1,975	1,994	1,981
Rises	604	934	981
Falls	939	585	476
Unchanged	432	475	524
New Highs	25	55	37
New Lows	19	21	25

CANADA

TORONTO	Jan 3	Dec 30	Dec 29	Dec 28	1988/89 High	1988/89 Low
Metals & Minerals	3207.5	3253.4	3240.0	3205.4	3253.4 (30/12/88)	2238.7 (8/2/88)
Composite	3353.1	3390.0	3372.0	3359.3	3465.4 (5/7/88)	2977.9 (8/2/88)
MONTREAL Portfolio	1677.48	1698.00	1694.94	1687.90	1723.71 (5/7/88)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Savin Bus	3,661,100	½	– 1/16	General Electric	1,742,700	44	– ⅜
Illinois Power	2,599,900	19⅝	—	IBM	1,454,100	121⅞	—
RJR Nabisco	2,045,600	90¼	– 1	Nova	1,373,300	9⅝	– ½
Exxon	2,025,300	43¼	– ⅛	General Motors	1,336,900	82¼	– 1¼
AT&T	1,863,800	28⅝	– ⅛	Tiger International	1,106,800	19⅞	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan. 4	Jan. 3	Jan. 2	Dec. 30	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1471.2	1480.0	(c)	1487.4	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	672.5	675.7	(c)	676.8	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	222.50	221.0	219.5	(c)	225.48 (4/11/88)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/80)	5519.30	5520.70	(c)	(c)	5565.5 (29/12/88)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	281.11	279.78	277.44	271.81	281.11 (4/1/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	723.3	723.2	725.8	732.3	772.1 (8/8/88)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	417.9	418.4	(c)	415.6	418.4 (3/1/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	100.8	100.5	(c)	160.1	100.8 (4/1/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	566.17	560.77	548.23	(c)	566.17 (4/1/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1701.4	1685.1	1647.2	(c)	1701.4 (4/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1365.08	1359.33	1335.01	(c)	1365.08 (4/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2736.83	2706.69	(c)	2687.44	2772.53 (12/7/88)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	599.51	598.27	593.23	589.72	599.51 (4/1/89)	423.91 (9/2/88)
JAPAN**						
Nikkei (16/5/49)	30243.66	(c)	(c)	(c)	30243.66 (4/1/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2375.30	(c)	(c)	(c)	2375.30 (4/1/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	291.4	291.6	289.3	(c)	291.6 (3/1/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	256.1	256.2	252.8	(c)	256.2 (3/1/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	479.38	472.96	467.17	467.75	479.38 (4/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1030.69	1034.23	(c)	1038.62	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1295.0	1293.0	(c)	1301.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	1970.0	1961.0	(c)	1954.0	1970.0 (4/1/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	273.36	276.02	276.05	274.43	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3362.3	3333.9	(u)	3443.8	3443.8 (30/12/88)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	613.4	613.1	(c)	(c)	613.4 (4/1/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	497.2	495.1	494.4	497.2 (3/1/89)	401.0 (21/1/88)

**Saturday Dec. 31: Japan Nikkei (c) TSE (c) ♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 4 January 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Japan Line	64.4m	273	+30	Ebara	10.2m	1,170	+50
C.Itoh	14.6m	1,030	+41	Nippon Steel	8.2m	880	-10
Yamashita Shin-nihon Steamship	12.7m	480	+38	Mitsui & Co	7.9m	1,010	+31
NKK	11.3m	927	-19	Kansai Elec Pwr.	6.8m	5,100	+300
Marubeni	11.3m	853	+17	Japan Aviation Electric	6.5m	1,860	+280

3pm prices January 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	16½	AAR	.44	1.8	17	521	25¼	24⅞	25	+ ⅛
10⅛	8⅞	ACM n	1.01	11.		25	9⅛	9⅛	9⅛	
12⅛	10⅛	ACMIn	1.26a	12.		622	10⅞	10½	10⅝	+ ⅛
10⅞	8½	ACM M	n.17e	1.9		197	8⅞	8¾	8⅞	+ ⅛
12⅛	10⅛	ACMSc	n1.26	12.		589	10⅜	10¼	10¼	– ⅛
10⅛	8½	ACMSp	n1.01a	11.		577	9	8⅞	8⅞	– ⅛
6½	2⅞	AMCA	.12e	3.6		10	3⅜	3⅜	3⅜	
6¼	3⅞	AM Intl				1576	5	4⅞	5	
65	32⅞	AMR			9	2536	53¼	52½	53⅛	+ ⅝
9½	5⅞	ARX			10	237	6⅛	6	6⅛	
51⅛	35⅛	ASA	3a	7.8		386	38⅞	38⅛	38¼	– ⅛
20¼	12⅛	AVX	.24	1.4	12	91	17⅞	17	17⅞	+ ⅞
52⅞	42⅞	AbtLab	1.20	2.5	15	2309	48⅛	47⅞	47⅞	+ ⅝
21⅛	15⅞	Abitibi g	1			30	16⅞	16⅛	16⅛	– ¼
13⅞	7½	AcmeC	.40	4.1		43	9⅞	9⅝	9⅝	
8⅞	5⅞	AcmeE	.32b	5.1	27	15	6¼	6⅛	6¼	+ ⅛
29½	15⅛	Acuan			24	709	25⅞	25	25⅛	– ⅛
17	14½	AdaEx	1.82e	12.		55	14⅞	14⅝	14⅞	
16⅞	7⅛	AMD			16	6203	9	8⅝	8⅞	+ ⅛
43½	28⅛	AMD pf	3	9.8		6	30⅛	30⅞	30⅞	+ ⅞
8½	5⅞	Adobe				45	6¼	6⅝	6¼	+ ⅛
18½	16¼	Adob pf	1.84	11.		19	16⅞	16⅞	16⅞	
21⅛	20	Adob pf	2.40	12.		42	20⅛	20	20⅛	
9⅞	5⅞	Advest	.12	1.6	23	77	7⅝	7⅛	7½	+ ⅛
52½	39⅛	AetnLf	2.76	5.8	8	1167	47⅞	47	47⅝	+ ½
37⅞	24	AflPb s	.22	.6		326	35⅞	35⅛	35⅛	– ⅛
18⅞	13⅛	Ahmans	.88	5.5	9	1681	16⅛	15⅞	16	+ ⅛
4⅞	1⅞	Aileen				76	3⅞	3⅛	3⅞	
50⅞	36½	AirPrd	1.20	2.8	11	2645	43⅞	42⅞	43¼	+ ⅝
22¼	12⅞	AirbFrt	.60	2.8	22	933	22⅛	21	21⅞	+ ⅞
18⅞	10	Airgas			16	89	15⅛	15	15⅛	+ ⅛
20	15⅞	Airlease	2.40	13.	9	18	19	18⅞	19	+ ⅛

Continued on Page 35

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
54¼	32⅞	Raycm	.32	.9	10	895	34⅞	34⅜	34⅜	
12½	9	RJamFn	.20	1.9	11	37	11	10⅝	10⅝	−⅛
21⅞	15⅛	Rayonr	2.80	14.	6	99	19⅞	19¼	19⅞	+⅝
8½	2⅞	Raytch	.05e	1.7		27	3	3	3	+⅛
73⅞	61	Raythn	2	3.0	9	1616	67½	66⅝	67	+¼
2½	½	ReadBt				105	⅞	⅞	⅞	+1-16
6¾	1¼	RdBat pf				5	1⅞	1⅞	1⅞	+⅛
19	15¼	RBT	1.55	9.7	16	17	16	15⅞	15⅞	+⅛
12	5½	RecnEq				267	12	11⅝	12	+⅛
18⅞	9½	Reebok	.30	2.6	6	3881	12⅛	11⅝	11⅝	−⅜
12⅞	9⅞	Reece	.15e	1.3	17	3	12	11⅞	11⅞	
1	⅜	Regal				217	⅛	⅛	⅛	−1-32
6⅞	5⅛	RegiFn	.24e	4.0		56	6⅛	6	6	
16⅞	12⅞	ReichTg	1.76	13.	8	92	13⅞	13⅝	13⅞	+½
7½	4½	RelGrp	.32	6.9	6	66	4⅝	4⅝	4⅝	
6⅞	4¼	RepGyp	.20	4.2	24	18	4⅞	4¾	4¾	−⅛
48⅛	39½	RepNY	1.20	2.8	10	75	42⅞	42⅜	42⅜	−⅛
24⅞	14½	Rsbne	n.30e	1.4		286	21⅞	21⅜	21⅞	+⅜
59	34	ReyMd	1	1.8	7	1783	54⅞	54¼	54⅞	+⅞
40⅞	29⅛	RiteAid	.74	2.3	13	1325	32½	32	32¼	+¼
1	5-16	RvrOak				9	⅜	⅜	⅜	+1-32
16½	8⅝	Robtsn				77	9¼	8⅞	9⅛	+¼
27	19½	vjRobins			14	99	25¾	25½	25½	
18¼	14⅝	RochG	1.60	8.8	11	52	17⅛	17	17⅛	
62½	40⅝	RochTl	2.84	1.6	14	118	52	51⅝	51⅞	−⅛
15	8⅝	Rckwy	.36	2.4	17	947	15	14⅜	14⅜	−⅛
20⅞	17⅞	RckCtr	1.84	9.4	15	127	19⅝	19⅜	19⅝	+⅛
20½	16⅞	Rockwl	.72	3.3	7	3032	21⅞	21⅝	21⅝	−⅛
9⅞	5½	RodRen	.14	2.0		5	7¼	7⅛	7⅛	+⅛
37½	28	RohHaas	1.12	3.2	10	922	35	34½	34⅝	−⅛
33½	18⅞	Rohr			16	804	27⅞	27½	27⅞	+⅛
19⅞	9	RollnE s	.08	.7	20	688	11	10⅞	10⅞	−⅛
19¼	14⅞	Rollins	.52	2.9	17	199	17⅞	17⅞	17⅞	
[illegible]										

– X–Y–Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
63	50¼	Xerox	3	5.2	10	1870	58	57⅞	58	+⅛
38⅞	21½	XTRA	.72	2.0	14	403	37	36¼	36½	−½
29¼	22	XTRA pf	1.94	6.8		387	28⅝	28½	28⅝	
3⅞	2	Zapata				252	2¼	2⅛	2⅛	−⅛
27⅞	14¼	Zayre	.40	1.6	16	1687	25¼	25	25⅛	+⅛
15½	9¼	Zemex	.40	3.0	17	1	13¼	13¼	13¼	+⅛
30	13½	ZenithE				590	19⅛	18⅝	19	+¼
10¾	9	Zenlo	n.59e	6.3		135	9⅝	9⅝	9⅝	
3⅞	1	vjZenLb				186	1⅝	1½	1⅝	
21⅝	13⅞	ZenNtl	.80b	4.6	8	4	17½	17½	17½	−⅛
18½	13	Zero	.44	2.5	15	96	17⅞	17⅝	17⅝	−⅛
29	16⅞	Zurnin	.68	2.5	16	70	27	26¾	26⅞	+⅛
11¼	8⅞	Zweig	1.04	9.9		169	10½	10¼	10½	+⅛
10⅛	9	ZweigT	n.16e	1.8		640	9⅛	9⅛	9⅛	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices January 4

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							
WllmTr	1	9	68	27½	26½	26½	−⅜
WlsaF		22	22	14⅜	14¼	14¼	
Windm s		11	3772	19⅞	18⅝	19¼	+⅛
Wolohn	.28	10	110	19½	19¼	19⅜	
WolvEx			158	6⅞	6⅝	6⅞	+⅛
Worthg	.44	15	225	23	22½	22⅞	+⅛
Wyman	.60	14	187	15	14½	14½	−⅛
– X–Y–Z –							
XL Dta		17	138	26¾	26¼	26¼	
XOMA			275	13	12½	13	+⅛
X-Rite s	.08	14	103	9	8½	8¾	−⅛
Xicor		13	1177	8⅛	7⅝	8	+⅜
Xyvan			22	4½	4½	4½	
YelowF	.70	20	1244	32⅝	31⅞	32⅜	+⅝
ZionUt	1.44		23	22¼	21½	22¼	

AMERICA

Dow advances modestly as dollar rebounds

Wall Street

NEWS that the US had shot down two Libyan fighter planes over the Mediterranean bolstered the dollar and encouraged a small rally in equities yesterday, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average stood 18.04 points higher at 2,162.68, a rally that helped clawed back much of Tuesday's losses. Volume was subdued as many players still appeared to be absent for an extended new year break. By midsession, only around 66m shares had changed hands.

Dollar weakness on the year's first trading day had been a factor behind falls in both stocks and bonds; yesterday's dollar bounce appeared to encourage a recovery.

However, the rallies in both stocks and bonds were fairly modest and lacked conviction. Bonds stood only around ⅛ point higher at midsession as concern about a further round of tightening by the US Federal Reserve limited any gains on the back of a stronger dollar.

Although the Dow rallied from the opening bell, the index failed on several occasions during the morning to surmount the 2,160 level which technical readings suggest is a resistance area. By midsession, it hovered around this area.

Of more fundamental importance for equities and bonds than the rise in the dollar, which invariably benefits from any outbreak of hostilities around the world, will be tomorrow's employment report for December.

Monthly employment releases more than once played a key role in Fed policy-making last year and markets are awaiting the latest set of figures to see whether they trigger another tightening move.

The report released on Tuesday by National Purchasing Managers provided evidence of vigorous economic growth and some economists have started to revise upwards their estimates for growth in the non-farm payroll in December to nearer 300,000 from 250,000.

Also of great importance to markets this week is the pattern of Fed money market operations and the behaviour of the Fed funds rate. Markets are anxious to see where the rate settles and therefore get a reading on Fed policy.

Among featured individual stocks yesterday was Federal Express, which jumped $2 to $52¾ on news that United Parcel Service of America, one of its main competitors, is seeking higher rates for several of its air freight services.

Freeport-McMoRan added $1⅞ to $29⅞ after the company announced it was raising its quarterly dividend to 37½ cents a share from 15 cents a share and said it planned special quarterly dividends of 25 cents a share up to and including the third quarter of 1990.

Marion Laboratories, which is set to receive approval for its new hypertension drug, added $⅞ to $21⅜. Integrated Device Technology dropped $2 to $9¾ after saying it would report lower third quarter net income.

Canada

RISING base metal, energy and industrial issues offset falling gold shares to push Toronto modestly higher in quiet midday trading. The composite index rose 10.5 to 3,353.7.

Most active stock Varity, which said on Tuesday a wholly-owned unit would sell two non-core operations, gained 5 cents to C$3.45.

EUROPE

US-Libyan confrontation sparks brief upset

THE US-Libyan clash over the Mediterranean sent a tremor through some European bourses yesterday, but the underlying tone remained firm, *writes Our Markets Staff.*

FRANKFURT began strongly after Tuesday's sharp rise but ran into profit-taking which was exacerbated by nervous selling as news of the US-Libyan clash came through. However, the upset was short-lived and prices picked up again in the after-market as Wall Street showed resilience and the dollar climbed.

"Europe overreacted a little," said one London trader. "What they tend to forget is that the Americans like a bit of aggression sometimes."

The FAZ index rose 5.4 to another post-crash high of 566.17 at midsession, giving a two-day rise of 3.3 per cent. But the later downturn left the DAX index just 5.75 up at a closing 1,365.08, having reached 1,373.19. Volume was even heavier than Tuesday at DM5.48bn and most buying was domestic.

Some car stocks were in strong favour. Daimler shot forward to DM770 on a large order before ending DM18 higher at DM765 and then picking up to about DM770 again after hours. BMW added DM10 to DM542.

Nixdorf rose DM8.30 to DM307 with explanations ranging from bank support and positive reaction to its plans to lose 1,600 jobs to rumours of stake-building by Siemens.

PARIS woke up around midday after a flat morning and share prices ended slightly higher, but it was "a pretty average dull day," according to one analyst in Paris.

There were few stories to stimulate demand and volumes were estimated to have fallen from Tuesday's FFr1.9bn. The CAC General index was off 0.5 at 417.9 and the OMF 50 index added 4.57 to 440.82.

Maison Phenix, the house builder, saw a sharp rise of 9.1 per cent, up FFr5.85 at FFr69.85, as analysts started to focus on possible turnround situations for 1989. Maison Phenix has been a poor performer for many months.

Pechelbronn, the holding company, was up FFr73 at FFr1,140 for no apparent reason, although it does have a stake in Groupe de la Cité, the publisher mooted as a possible white knight for British publisher William Collins. Groupe de la Cité added FFr10 to FFr3,410 and its major shareholder Générale Occidentale rose FFr7 to FFr824.

The statement from the Government saying it would follow a policy of bringing down short-term interest rates this year was greeted positively, and analysts agreed that the market still had further to go. One said: "It's in pretty good shape. People feel it may have overreacted a little too quickly but there's no real sign of a consolidation yet."

ZURICH attempted to build on Tuesday's gains but ran out of steam, affected in part by late concern over the Libyan bombing. The Crédit Suisse index eased 0.2 to 531.4.

The main story concerned speculation over whether Jacobs Suchard was interested in buying United Biscuits of the UK. The company, which lost the battle for Britain's Rowntree to competitor Nestlé last year, would not confirm rumours it was interested in a stake. Its bearer shares rose SFr125 to SFr7,100 and its registereds fell SFr30 to SFr1,420.

AMSTERDAM was also shaken by the fighting in the Mediterranean, with shares coming off highs and then recovering somewhat. The rebased CBS all-share trend *index rose 0.9 to 159.8.*

Royal Dutch was boosted Fl 2.40 to Fl 230.60 by higher oil prices and the dollar's rally, and Philips continued to find favour, adding 70 cents to Fl 35.50 after breaking a six-month-old high of Fl 35.30.

Machine tool manufacturer VMF-Stork rose Fl 1.20 to equal a two-year high of Fl 28, with one analyst putting the strong advance down to buying by Swiss institutions following company presentations.

MILAN had a nervous start following Wall Street's fall on Tuesday but then made small gains. The Comit index closed just below the psychological 600 level at 599.51, a rise of 1.24, with volume said to be similar to or below Tuesday's L140bn.

MADRID remained nervous that the upcoming December inflation rate could add to pressure for a half point rise in the 12.4 per cent intervention rate.

The general index was off 2.66 at 273.36, with only construction and cement stocks holding out against the trend on good building prospects.

COPENHAGEN reached an all-time high on buoyant domestic demand, with the *index up 1.33 at 281.11.*

Buying was encouraged by an unexpectedly large November trade surplus of DKr1.65bn, according to brokers Brancor Securities. East Asiatic gained DKr9.35 to DKr295.

STOCKHOLM overcame early losses to end slightly higher in thin turnover worth SKr220m, with the Affärsvärlden General index up 5.9 at 990.7.

Volvo B free shares added SKr5 to SKr375 but in London the shares traded up to SKr378, with a shortage of stock in Sweden blamed for the greater activity and higher price abroad. Volvo was boosted by a 42 per cent year-on-year rise in its US sales in December. Pharmacia gained SKr7 to SKr189 amid speculation that Volvo was increasing its stake, which had reached 47 per cent last August, according to Citicorp Scrimgeour Vickers.

SOUTH AFRICA

THIN trading in Johannesburg yesterday left gold shares narrowly mixed and the overall market steady. Vaal Reefs picked up R2 to R263.

Treasure hunt continues in the emerging markets

Jacqueline Moore examines the explorer's options

INVESTORS with the pioneering spirit will this year be found exploring Central and South America, the Far East and the less well-known stock markets of Europe in the hope of unearthing 1989's best performers.

"The investment world did not finish on the discovery of Hong Kong," says Mr Toby Heale, head of the emerging markets department at James Capel. "In all emerging markets, you need good nerves – but if you get it right you reap the rewards. You get the occasional brickbat, but you just have to shrug your shoulders. The excitement lies where you can get growth."

There is always the chance of making quick money in emerging markets, but most investors look for a long-term return over a few years. And while institutions may decide to invest directly, the individual is usually advised to invest through funds, says Baring Securities, which has a specialist line in emerging markets.

Putting money into exotic-sounding locations such as Sao Paulo in Brazil may seem like the act of a romantic but, according to the International Finance Corporation (IFC) Emerging Markets Indices, Brazil rose 69.4 per cent in dollar terms between the end of December 1987 and November last year. In local currency terms, it climbed a staggering 1,258 per cent over the same period. Nevertheless, it is a volatile market and inflation is running at over 900 per cent.

This year promises to be an interesting one in Brazil, with an election in the offing. Elections are fundamentally a new game for Brazil, says one fund manager, so it will be "a market for relatively strong nerves." This will be the make or break year, he adds; if Brazil can grasp hold of the problem of inflation and control its deficit, then prospects are good.

Brazilian Securities (UK) also recognises the market's *changeable nature*, but is optimistic. "While we expect continued volatility over 1989 as the presidential election approaches," it says in an overview of the market, "we believe a market comprising 592 listed companies representing the best of Brazil's private sector is excellent value at a total capitalisation less than that of RJR Nabisco."

If investors feel their nerves are not quite up to Brazil or its South American neighbours, Argentina and Chile, then Mexico might appear a safer bet. Not only does it share a border with the US – handy for exports – but it also worked hard last year at putting its economy in order. Mr Heale, of James Capel, says: "We have a great passion for Mexico at the moment. It has grappled with its economic problems and has reformed itself into a 'proper' country."

'Those without a stake will be forced to take some action.'

Of the markets covered by the FT-Actuaries World Indices, Mexico was the world's second best performer last year, gaining 58.5 per cent in local currency terms.

If the more nervous investor needs a historical precedent, however, the area to turn to would be Asia – the traditional home of the emerging market. Japan itself was once emerging and Hong Kong is among the most recent markets to attain maturity. One of the more developed young markets is found here: the home of last year's Olympics, South Korea, which gained 72.4 per cent in dollar terms in the year to last November, according to the IFC indices.

South Korea's market capitalisation has now reached $90bn, exceeding that of Hong Kong, says Baring Securities, which predicts it could double to $180bn this year. "Those without a stake will be forced to take some action," it says. Towards the end of 1988, Seoul *set its timetable for opening up* the market by 1992, triggering a rally to record highs.

Last year's most fashionable emerging market was arguably Thailand. However, the exchange did not perform too well towards the end of the year. This was partly because investors' money was tied up in property speculation, says one analyst, who predicts this is coming to an end.

Eastern success has rubbed off elsewhere. One fund manager says: "The Asian markets are a long way in front of the European markets... but the development of South East Asia has brought interest to Europe's emerging markets."

European youngsters are considered to include Portugal, Greece and Turkey. Specialist funds run by companies such as Duménil, Gestifundo and Schroder Securities cover the smaller Mediterranean bourses or individual countries.

Portugal is often recommended as the bourse to watch. The Government's *plans to start deregulation this* year have been received enthusiastically. Portugal also benefits from its proximity to Spain – once itself a fast-developing emerging market – and has more listed companies than Greece or Turkey.

Moreover, overseas investors such as Mr Carlo De Benedetti, the Italian financier, are beginning to put Portugal higher up their shopping lists, according to Baring Securities.

Elsewhere in Europe, this could be a vital year for Greece, which is facing a general election. Inflation is still rising, interest rates are very high and bonds are tax-free, discouraging investment in stocks, says Mr Henry Reid, a director of Baring. However, he argues that if Mr Andreas Papandreou, the Premier, were ousted and replaced by a more centrist government, "there should be a sentiment-led rally in the market."

If investors believe Europe's developing markets carry less risk than their South American and Asian counterparts, they should think again. Foreign corporations are taking stakes in Turkish companies and the potential for exports seems good. Even so, the risk involved in Turkish equities *"makes Greece seem like Wall Street,"* says one analyst.

In spite of such risk, however, this year will no doubt see more intrepid investors setting sail into the uncharted waters of emerging markets, as the hunt for undiscovered treasure continues.

ASIA PACIFIC

Nikkei hits record despite caution

Tokyo

TRADING in Japanese equities began 1989 on an auspicious note as investors greeted the new year with a round of broad-based buying that pushed the Nikkei average to yet another record high, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average finished the half-day trading session up 84.66 at a peak of 30,243.66. Volume, however, was low at 403m, compared with the 452m traded for the half-day closing session on December 28.

The index moved narrowly from a high of 30,272.72 to a low of 30,165.52. Advances led declines by 552 to 319 while 162 issues were unchanged. The Topix index of all listed shares was also higher, rising 18.27 to 2,375.30, as was the ISE/Nikkei 50 index in London, adding 16.44 to 1,942.86.

As is typical on the first *trading day of the year*, celebratory buying in a wide range of issues gave the market a bullish tone, but the relative lack of turnover revealed a more cautious attitude among investors.

The market's record high nevertheless came in spite of a worrying factors such as the overnight fall on Wall Street, uncertainty about oil prices and concern about the Emperor's deteriorating condition.

"The optimistic view is that this is a market that responds to good rather than bad news," said an analyst at Yamaichi Securities. With many investors still on holiday, full market activity is unlikely to begin until next week, he added.

Investors focused on laggards, particularly those in the utility and air transport sectors. Nippon Telegraph and Telephone, which has been a poor performer since the launch of the huge third tranche of shares last autumn, advanced Y110,000 to Y1.92m. Talk that there would be a reduction in the nominal value of NTT shares from the present Y50,000 to Y500, automatically increasing liquidity in the issue, seems to have led to yesterday's buying.

A possible reduction in the nominal value of shares of electric power companies made *them look relatively cheap.* These stocks had already been selected at the end of last year as underperformers and the scheduled convertible bond issue by Tokyo Electric Power continued to attract interest in them. Tokyo Electric Power added Y250 to Y7,300.

Speculation that interest was shifting away from land redevelopment to the skies led to a rise in air transport companies, particularly Japan Air Lines which gained Y900 to Y16,700.

Japan Line and Yamashita-Shinnihon Steamship, which lost heavily after the announcement of a merger that would reduce their capital substantially, recovered somewhat as investors began to feel they had been oversold. Japan Line was the most actively traded issue on 64.4m shares and rose Y30 to Y273. Yamashita-Shinnihon Steamship, third most heavily traded with 12.7m shares, advanced Y38 to Y460.

Osaka saw interest in utilities *push the OSE average up* 150.22 to 28,083.83. Volume in the half-day session was low.

Roundup

THE BUOYANT tone continued in Hong Kong yesterday, but Australia and Singapore failed to join in the new year optimism.

HONG KONG continued its new year rally, reaching its highest level since mid-July last year in busy trading.

Properties and industrial stocks led the market higher, and the Hang Seng index closed 30.14 higher at 2,736.83. Turnover was double that seen on Tuesday, at HK$1.32bn in value against HK$653m.

Among the most active stocks was Allied Properties, which added 10 cents to HK$3.57½ with a large crossing of 65.4m shares. The deal fuelled talk of a possible corporate restructuring.

AUSTRALIA put in another lacklustre session, ignoring Tokyo's record finish. The All Ordinaries index lost 9.5 to 1,470.5 and volume reached a *thin A$100m worth of shares.*

The banking sector was the busiest, and Westpac eased 8 cents to A$5.18 with A$16m worth of shares dealt. The stock was also very busy on Tuesday and there is speculation that Adelaide Steamship is selling part of its stake.

SINGAPORE followed the overnight direction of Wall Street rather than that of Tokyo, and ended lower again, although volumes improved markedly. The Straits Times industrial index fell 3.54 to 1,030.69. Turnover rose to 22.1m shares from 12.9m on Tuesday.

SOUTH KOREA started its first session of the year on a strong note with the composite stock index up 12.42 at 919.61. Because more than two-thirds of listed companies went ex dividend, the index rise in real terms was about 26 points.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 3 1989					MONDAY JANUARY 2 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	146.48	+1.4	119.13	112.14	4.78	144.49	118.42	112.58	152.31	91.16	103.24
Austria (18)	97.53	+1.7	79.32	89.27	2.76	95.92	78.62	88.61	100.00	83.72	95.51
Belgium (63)	135.03	+0.3	109.82	123.54	4.09	134.57	110.29	123.95	139.89	99.14	102.07
Canada (126)	124.67	−0.7	101.39	107.48	3.40	125.55	102.89	108.50	128.91	107.06	113.83
Denmark (39)	159.75	+1.7	129.92	147.91	2.05	157.11	128.76	146.58	159.75	111.42	113.40
Finland (26)	129.98	+0.4	105.71	112.22	1.49	129.44	106.08	113.07	139.83	106.78	110.39
France (131)	115.64	+0.5	94.05	109.29	2.95	115.04	94.28	109.31	115.64	72.77	85.40
West Germany (102)	90.40	+2.3	73.52	82.92	2.27	88.35	72.41	81.49	90.40	67.78	73.91
Hong Kong (46)	112.56	+0.7	91.54	112.82	4.40	111.80	91.63	112.07	112.56	84.90	92.21
Ireland (18)	131.49	−0.2	106.93	122.29	4.12	131.78	108.00	123.42	144.25	104.60	106.38
Italy (98)	86.88	+1.7	70.66	84.28	2.40	85.40	69.99	83.30	86.88	62.99	76.47
Japan (456)	193.67	+1.1	157.51	151.31	0.50	191.50	156.95	151.31	193.67	133.61	133.61
Malaysia (36)	143.64	+0.1	116.82	149.25	2.86	143.50	117.61	149.71	154.17	107.83	116.51
Mexico (13)	160.85	−0.6	130.81	402.54	1.27	161.84	132.63	404.76	182.24	90.07	103.35
Netherland (38)	113.45	+0.0	92.26	103.09	4.78	113.49	93.01	103.73	113.49	95.23	102.29
New Zealand (25)	68.17	+0.8	55.44	56.98	6.93	67.60	55.40	56.98	84.06	63.32	75.63
Norway (26)	144.53	+3.3	117.54	127.36	2.14	139.92	114.67	124.68	144.53	98.55	107.23
Singapore (26)	125.35	+0.2	101.94	111.89	2.38	125.10	102.53	112.07	135.89	97.99	103.86
South Africa (60)	117.21	+0.3	95.33	98.55	4.69	116.85	95.76	98.24	139.07	98.26	133.03
Spain (42)	149.63	+0.7	121.69	127.24	3.21	148.63	121.81	127.57	164.47	130.73	132.84
Sweden (35)	142.24	+2.7	115.68	128.03	2.23	138.45	113.47	125.54	144.97	96.92	100.22
Switzerland (57)	79.76	+2.2	64.86	74.05	2.29	78.08	63.99	72.73	86.75	74.13	82.32
United Kingdom (318)	135.53	+0.2	110.22	110.22	4.89	135.31	110.90	110.90	141.51	120.66	134.74
USA (573)	112.13	−0.9	91.19	112.13	3.71	113.18	92.76	113.18	115.55	99.19	105.22
Europe (1011)	115.63	+0.8	94.04	100.70	3.74	114.68	93.98	100.54	116.61	97.01	104.52
Nordic (126)	139.91	+2.2	113.78	122.43	2.08	136.94	112.23	120.82	–	–	–
Pacific Basin (679)	188.43	+1.1	153.25	148.03	0.71	186.33	152.71	148.03	188.43	130.81	130.81
Euro-Pacific (1690)	159.28	+1.0	129.54	129.28	1.61	157.64	129.20	129.22	159.28	120.36	120.36
North America (699)	112.80	−0.9	91.73	111.86	3.69	113.84	93.30	112.92	116.07	99.78	105.68
Europe Ex. UK (693)	102.91	+1.3	83.69	95.07	2.86	101.54	83.22	94.35	102.91	80.27	85.80
Pacific Ex. Japan (223)	125.86	+1.0	102.36	106.64	4.60	124.57	102.09	106.69	128.27	87.51	96.98
World Ex. US (1889)	157.66	+1.0	128.22	128.38	1.68	156.13	127.95	128.35	157.66	120.26	120.26
World Ex. UK (2144)	140.69	+0.4	114.42	124.22	2.03	140.08	114.80	124.51	140.69	111.77	112.42
World Ex. So. Af. (2402)	140.36	+0.4	114.15	123.04	2.26	139.78	114.56	123.37	140.36	113.26	114.28
World Ex. Japan (2006)	114.47	−0.2	93.09	107.85	3.76	114.67	93.98	108.37	115.54	100.00	105.21
The World Index (2462)	*140.22*	*+0.4*	*114.03*	*122.88*	*2.27*	*139.64*	*114.44*	*123.20*	*140.22*	*113.37*	*114.40*

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

Latest prices were unavailable for this edition.
Markets closed January 3: Japan and New Zealand.